QNB FINANSBANK

Annual Report 2018

Contents

Message from the Chairman

Ömer A. Aras
Chairman

Esteemed Shareholders,

2018 has been a year when significant developments were experienced in the economy, beginning with elevated exchange rates and resulting in tightening of fiscal conditions, rising inflation and increasing interest rates. Partial unwinding of the increase in inflation was possible at year-end through measures taken. The growth rate slowed down and within the accelerated rebalancing process a remarkable recovery was seen in the current account balance.

It appears that the rebalancing process, reinforced by monetary and fiscal policies oriented towards stability, shall continue to be effective in 2019, and the contraction in current account deficit and decrease in inflation will become more evident in the coming month.

Despite the adverse effects of the sudden rise of exchange rates on firms with foreign currency loans, we anticipate the fiscal incentives to reinforce the real sector. 2019 points to important opportunities for exporters.

In the global economy, on the other hand, a slowing of growth rates is anticipated. In the 2018 Davos Summit, IMF President Christine Lagarde indicated that they had to lower their growth rate estimates due to reasons such as trade wars between US and China, and Brexit. IMF lowered its global growth estimates from 3.7% to 3.5%.

As the IMF aptly points out, in 2018 the notion of trade wars was introduced on a global scale. The tension between US and China has impacted economies in various ways and will continue to do so. Main developments in the global economic arena shall include deceleration of the Chinese Economy, FED's policy of balance sheet reduction, and cessation of monetary expansion by the European Central Bank.

Amongst such volatility, QNB Finansbank ended the year successfully. Despite the unfavorable financial conditions faced in 2018, our Bank performed better than its peers. Our sound and prudent balance sheet management policy protected us against currency, maturity and interest risks. Keeping our liquidity high and managing our overall credit risk effectively in all segments, we were further able to control costs by increased productivity.

In 2018, the Bank's total assets grew by 25 percent, reaching TL 157 billion 416 million; performing loans increased 16 percent, reaching TL 95 billion 295 million; and customer deposits rose 28 percent to reach TL 83 billion 413 million. Our bank's net period profit was TL 2 billion 410 million.

As of December 31, 2018, compared to year-end 2017, our total equity increased by 20 percent to TL 14 billion 572 million, and our capital adequacy ratio reached 15.42%.

Supported by the strength of the QNB Group, our bank continues to contribute sustainably to the Turkish economy.

Thanks to our strong capital structure, we continue to carry out corporate social responsibility projects at full speed. We maintain critical projects, with the help of volunteers, within the "Small Hands Big Dreams" platform, aimed at preparing our children for the future.

I would like to thank all my colleagues and stakeholders once again for their contribution towards the continued and sustainable growth of QNB Finansbank.

Kind regards,

Ömer A. Aras
Chairman

Message from the CEO

Temel Güzeloğlu
CEO

Esteemed Shareholders and Board Members,

In 2018, QNB Finansbank continued its invaluable and solid contribution to the Turkish economy through its sustained growth in corporate, project finance and SME loans. Likewise, QNB Finansbank realized substantial deposit increases on the funding side.

As of December 31, 2018, our Bank's total assets grew by 25 percent, reaching TL 157 billion 416 million; performing loans grew by 16 percent, reaching TL 95 billion 295 million; and net customer deposits by 28 percent, reaching TL 83 billion and 413 million. Our bank's net profit was TL 2 billion 410 million.

Our bank's net interest income increased by 36 percent compared to the previous year, reaching TL 7 billion 683 million. Net fee and commission income increased by 27 percent and reached TL 2 billion 140 million. Compared to the year-end 2017, total equity rose by 20 percent and amounted to TL 14 billion and 572 million. As of December 31, 2018, the capital adequacy ratio was 15.42 percent.

2018 has been a year of significant achievements for QNB Finansbank. The Miles & Smiles deal signed with Turkish Airlines, is a sure sign of QNB Finansbank's commitment and determination for ambitious growth in a new and significant segment.

The first branchless digital bank in Turkey, Enpara.com, remains unrivaled, currently serving over 1 million 300 thousand clients with an ever-developing product portfolio.

Fincube Incubation Center and Acceleration Program was launched in 2018, with the aim to develop future banking technologies and support innovative initiatives at QNB Finansbank. At Fincube, we offer a platform where young enterprises undertake digital and technology efforts in the field of finance, and specialists in our Bank can work at liberty.

In corporate banking, thanks to our financing efforts extended to Northern Marmara Highway Asian and European Side, Piazza Shopping Mall and Bilkent Laboratory PPP projects, we were granted six awards by EMEA Finance, the global economy and finance magazine, in 2017 Project Finance Awards and Achievement Awards.

In 2018, thanks to our colleagues we continued to work towards our aim of transforming success achieved, and paying it forward with our Small Hands Big Dreams Platform, extended support to thousands of children. Children will continue to be the center of our corporate social responsibility efforts. Together with volunteers, we will undertake new projects that support creativity and analytical thinking in children and youngsters. We will embark on a new project that will enhance coding training provided to children. With this project to be launched in association with Habitat Foundation, we aim to continue the preparation of the next generation for the future across Turkey.

In 2019 the second stage of “Tales Math Museum and QNB Finansbank Tales Math Museum Mobile Truck”, a project launched in 16 cities in 2018, with the aim of reinforcing analytical thinking, will take place. The Truck will visit 32 cities in Anatolia with a total of 34 modules and 5 different workshops where numerous math and geometry workshops will allow students to invigorate this area of science.

Aimed at children to discover their story development and storytelling talents we will keep up the “Power of Imagination” project, in association with Foundation of Social Volunteers (TOG). We will also continue our support for Young Talents in Music.

I would like to extend my gratitude to our colleagues, clients, all strategic business partners and correspondent banks who reinforce our strength in our effort to achieve our goals.

Kind regards,

Temel Güzeloğlu
CEO

Board of Directors

Ömer A. Aras
Chairman

Dr. Aras graduated from the Academy of Economic and Commercial Sciences, Department of Economics, in 1975. He received an MBA in 1978 and a PhD in Business Administration in 1981 from Syracuse University. Over the next three years, he was a faculty member at the Business Administration Department of Ohio State University, and worked as a consultant. Between 1984 and 1987, he served as Credit Marketing Manager and Credit Committee Member at Citibank, and worked as the Head of Yapı Kredi Securities. Dr. Aras participated in the founding of Finansbank A.Ş. in 1987, and served as Assistant General Manager for two years and as General Manager for six years and as an Executive Board Member of Finansbank A.Ş. and Vice Chairman of Fiba Holding from 1989 to 2006. Between 2003 and 2007 he held the Board Member position in TUSIAD (Turkish Industrialists' Businessmen's Association). Mr. Aras served as Vice Chairman of Finansbank A.Ş. and Group CEO of Finansbank A.Ş. Group of Financial Companies (FinansLeasing, QNB Finansinvest and QNB Finans Asset Management) between 2006 (November) - 2010 (April). Dr. Aras was appointed as Chairman in April 2010.

Sinan Şahinbaş
Vice Chairman

Mr. Şahinbaş graduated from TED Ankara College in 1984, and from Istanbul Technical University, Engineering Faculty in 1988. He completed his graduate degree in Civil Engineering at George Washington University. He then received Masters degrees in International Relations from Istanbul University and in Finance from Yeditepe University. He began his professional career at Finansbank in 1990. He worked in Treasury, Corporate Banking and Credit Departments till 1997. In 1997 he worked for the foundation of representative offices of Finansbank (Suisse) SA ve Finansbank (Holland) NV in Turkey. He was transfered to Garanti Bank in 1997 as Department Head in charge of the design of a risk management system for new subsidiaries, in the same year Mr. Şahinbaş was promoted to Executive Vice President of Garanti Bank (Holland) N.V. After a year, Mr. Şahinbaş moved back to Finansbank (Holland) N.V. and became General Manager in 1999. In 2001, Mr. Şahinbaş became Senior Executive Vice President at Finansbank A.Ş. and was promoted as General Manager in October 2003. After serving as General Manager for 7 years, Mr. Şahinbaş became Vice Chairman in April 2010.

Abdulla Mubarak Al-Khalifa
Member of the Board of Directors

With over 23 years of banking experience, Mr. Abdulla Mubarak Al-Khalifa joined Qatar National Bank in 1996 and is currently Acting Group Chief Executive Officer and was previously Executive General Manager, Group Chief Business Officer. He holds Bachelor's Degree in Business Administration from Eastern Washington University, USA (1995).

Currently, he is a Vice Chairman of QNB Al Ahli (Egypt), board member and Chairman of Executive Committee in Housing Bank for Trade and Finance (Jordan), Chairman of (QNB Suisse) SA, Chairman of QNB Capital LLC, Chairman of QNB Finance Ltd., and board member in EcoBank.

Ali Rashid Al-Mohannadi
Member of the Board of Directors

Joined Qatar National Bank in 1996 and is the current Executive General Manager and Group Chief Operating Officer. He holds a Bachelor's Degree in Computer Science from Qatar University (1996). Currently, he is the Chairman of QNB Tunisia, a board member in QNB Al Ahli (Egypt) and Commercial Bank International (UAE).

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

Mr. Kerman received his graduate degree in Economics from University of Hacettepe and post graduate degree in Project Planning and National Development from University of Bradford, UK, in 1982. He started his career at the Undersecretariat of Treasury in 1980 and he served as Deputy Economic and Commercial Counsellor at Washington Embassy and Acting Executive Director of Asian Development Bank, Philippines, for three years in each position. In 1997, he was appointed as Executive Vice President of Turkish Eximbank. In the same year, he returned as Undersecretariat of Treasury as Director General of Insurance Department. In July 1999, he was appointed as Deputy Undersecretary of Treasury and in 2000, he became Vice President of the newly established Banking Regulation and Supervision Agency (BRSA). He also served as a Board Member of Savings Deposit Insurance Fund (SDIF). He was appointed as an Advisor to BRSA Chairman in 2004. He also served as Chairman of the Board in Toprak, Generali and Ege Insurance Companies on behalf of SDIF. Mr. Kerman retired in April 2005 and became founding partner of KDM Financial Consultancy Company. He has been a Board Member of QNB Finansbank since April 2013 and he was appointed as Chairman of Audit Committee in April 2014. Mr. Kerman is also a Board Member of Bahcesehir University Graduate School of Business since May 2017.

Durmuş Ali Kuzu
Member of the Board of Directors

Mr Kuzu, Phd graduated from Business Management Department of Political Science School, Ankara University in 1996. After receiving an MBA degree in 2008 from University of Illinois at Urbana-Champaign, he earned a PhD degree in Accounting and Finance from Baskent University. He has a CPA and an Independent Auditor Certificate. During this period, he worked at many national and international committees, attended various seminars and conferences and published many articles. He began his professional career in Vakıfbank, 1996 as a loan analyst and went on Türkiye Emlak Bankası as an internal auditor in 1997-1999. Between 1999 and 2016, he worked in various positions, including Vice Presidency and managerial positions, at the Undersecretariat of the Treasury, Public Oversight Accounting And Auditing Standards Authority, and Banking Regulation And Supervision Agency (BRSA). In August 2016 he was appointed Member of the Board and Member of Audit Committee at Finansbank A.Ş.

Fatma A Al-Suwaidi
Member of the Board of Directors

Joined QNB in 2000 and currently serves as Group Chief Risk Officer having previously held the role of Assistant General Manager of Credit Risk Management. She holds a BSc in Accounting (1999), and she has a Master's in Business Administration from Qatar University (2004), and an MSc in Risk Management from the University of New York. Currently, she is a member of the Board in QNB Tunisia.

Noor Mohammad Al-Naimi
Member of the Board of Directors

Joined QNB in 2000. Held various positions in the Treasury Operations and Control Division until 2014 she was appointed as Acting General Manager Group Treasury. She holds bachelor's degree in Business Administration from Qatar University (1999). Currently, she is a Board member at QNB Al Ahli (Egypt).

Osman Reha Yolalan
Member of the Board of Directors

He works at Tekfen Holding as Vice President in charge of Corporate Affairs since 2006. He studied industrial engineering at Istanbul Technical University and holds a Master's degree from Bogaziçi University in Industrial Engineering and a PhD Degree in Management Sciences from Laval University, Quebec-Canada. He started his career as a specialist at Yapı Kredi in Strategic Planning Department. He worked as Head of Corporate and Economic Research Department between 1994-2000 and as executive vice president in charge of Financial Analysis and Credit Risk Management between 2000-2004. He was appointed as CEO of Yapi Kredi and member of the Board of Directors between 2004-2005. He has been a part-time professor at a number of universities in Turkey and has authored a number of journals in the field of bank management.

Ramzi Talat A Mari
Member of the Board of Directors

Joined QNB in 1997 from Jordan Bank and is the current Executive General Manager and Group Chief Financial Officer. He completed the Certified Public Accountant Examination from the State of California, USA (1989) and holds Master's Degree in Accounting from USA. Currently, he is a board member in Housing Bank for Trade and Finance (Jordan), QNB Al Ahli (Egypt) and QNB Capital LLC.

Temel Güzeloğlu
Member of the Board of Directors and CEO

Born in 1969, Mr. Güzeloğlu has BA degrees from the Electrical and Electronics Engineering; and Physics Departments of the Bosphorus University. Güzeloğlu was later entitled to an MA degree from the Northeastern University, Boston-Massachusetts Electrical and Computer Engineering and an MBA from Bilgi University, Istanbul. Güzeloglu worked as the Executive Vice President of Finansbank A.Ş. responsible for Consumer Banking till August 2008. He then served as Executive Vice President responsible for Retail Banking and Member of Management Committee of Finansbank A.Ş. in August 2008. Mr. Guzeloglu was appointed as General Manager in April 2010.

Prof. Dr. Mustafa Aysan
Consultant

Prof. Aysan graduated from Istanbul University, Economics Department. He received his MBA degree from Harvard University in 1959 and became a professor in 1974. He has taught in various Turkish and international universities between 1968 and 2000. Prof. Aysan served as Head of the Committee for the Restructuring of State Economic Enterprises from 1964 to 1968, as Head of the Budget Committee of Turkish Republic Advisory Council in 1981 and as the Minister of Transportation from 1982 to 1983. Between 1993 - 2016 Prof. Aysan was a member of the Board of Directors of Finansbank A.Ş. Since August 2016, Prof. Aysan works as a consultant.

Senior Management

Adnan Menderes Yayla
Executive Vice President

Yayla graduated from the Economics Department of the Faculty of Political Science of Ankara University in 1985, and completed his MBA at the University of Illinois at Urbana-Champaign between 1992 and 1994. He worked at the Ministry of Finance as Assistant Auditor and Auditor from 1985 to 1995; at the Privatization Administration as Project Valuation Division Chief from 1995 to 1996; at Price Waterhouse Coopers as Manager, Senior Manager and Partner in Istanbul and London offices from 1996 to 2000; and at Türk Dış Ticaret Bankası (Fortis) as the Executive Vice President in charge of the Financial Control Group and Risk Management from 2000 to 2008. Having joined Finans Bank A.Ş. on May 2008, Yayla has been working as Executive Vice President of Financial Control and Planning and the Group CFO.

Ahmet Erzengin
Head of Internal Control and Compliance Division

Erzengin received his bachelor's degree at the Public Administration Department of the Middle East Technical University. He worked at Pamukbank from 1988 to 1993. He joined QNB Finansbank A.Ş. as the Regulations Manager in 1993. In 1996, he was appointed, Head of Operations Group in charge of branch and HQ operations. He served as the Head of Operations until the end of 2005. In early 2006, he supervised the establishment of the Compliance Division and he served as the Head of Compliance until September 2012. By that date Erzengin also took the responsibility of Internal Control Department and has been working as the Head of Internal Control and Compliance Division since 2012.

Ali Yılmaz
Chief Legal Counsel

Yılmaz graduated from İstanbul University Law School. Active in business since 1996, Yılmaz received his finance education at University of Toronto in 2002. With an MBA from Koç University, he started his banking career at Dışbank in 2003. He served as Director of Legal Affairs at Fortisbank A.Ş. and as a member of the Board and Legal Counsel at Societe Generale Turkey. Yılmaz joined QNB Finansbank A.Ş. in 2016 and has been acting as Chief Legal Counsel since May 2018.

Burçin Dündar Tüzün
Corporate and Commercial Credits Director

Tüzün completed her undergraduate study in Civil Engineering at the Engineering Faculty, Middle East Technical University in 1997 and her Master's in business administration at Bilkent University Business Administration Faculty in 1999. She started her banking career as assistant auditor at Finansbank A.Ş. Internal Audit Department in 1999, joined the Corporate Credits Allocation Department in 2005 and served as corporate credits manager, division manager and department manager. She was appointed Corporate and Commercial Credits Director responsible for Corporate, Commercial and Structured Finance Credits Allocation in 2016. Tüzün additionally took Credits Monitoring and Financial Institutions Credits Management responsibility in 2018.

Bülent Yurdalan
Head of Internal Systems

Yurdalan graduated from Eskişehir Economic and Commercial Sciences Academy – Kütahya Business Administration Faculty in 1980. Starting at Pamukbank in 1980, his banking career continued at Citibank Turkey. After having joined Finans Bank A.Ş. in early 1988, he was assigned to executive positions at the Branch Operations, Audit, Treasury Operations, General Accounting, Internal Control Divisions and at some Group banks. Appointed as the Chief Audit Executive in 2003, Yurdalan served as Executive Vice President in Retail Loans Monitoring and Follow up Department. He was appointed Head of Internal Systems in August 2013. He also serves as a Board Member at QNB Finansinvest and QNB Finansfactoring and as Board Chairman at QNB Finans Asset Leasing.

Cenk Akıncılar
Executive Vice President

Born in 1973, Akıncılar graduated from the Mathematics Department of the Faculty of Science and Literature at Eskişehir Anadolu/Osmangazi University in 1996. He worked as the Senior Officer responsible for Salary and Industrial Relations at Human Resources Department of Pamukbank from 1998 to May 2003. He joined QNB Finansbank in May 2003. He worked as Human Resources Assistant Manager responsible for Recruitment, System Development and Projects; manager of the Organizational Development, Performance, Strategic Reporting and Revenue Management, Employee Rights and Systemic Authorization Management, then became division manager of Human Resources Management Systems and Revenue Management, Employee Rights and Systemic Authorization Management Department. Akıncılar was assigned as the Director of Human Resources in July 2018, and has been appointed Human Resources Executive Vice President in January 2019.

Cumhur Türkmen
Executive Vice President

Türkmen graduated from the Yıldız Technical University with a BSc degree in Mathematics Engineering in 1997. Starting his career as a Software Engineer with I-BİMSA in 1997 until joining QNB Finansbank in 2000. He served as Senior Software Engineer until 2005 and served as Project/Program Manager until 2010 in QNB Finansbank IT department. He started working for QNB Finansbank Business Development and Strategy Office in January 2010 as a Vice President. In August 2011, he joined Enpara.com project team in CEO Office. He became the Director in charge of Enpara.com in July 2015. As of June 2015, he has become the Executive Vice President responsible of Enpara.com at QNB Finansbank.

Engin Turhan
Executive Vice President

Born in 1980, Turhan received his bachelor's degree in Economics at School of Economics and Administrative Sciences in Marmara University. Turhan obtained his master's degree in International Political Economy and Management. He began his banking career in the MT (Management Trainee) program at Finans Bank A.Ş. in 2003. After he worked in various sections in Loans Department, he went onto Project Finance and worked in specialist and managerial positions in Project Monitoring, Project Appraisal, Corporate Finance and Syndicated Loans Departments until 2005. After being appointed as Corporate Banking Structured Finance and Syndicated Loans Group Manager in 2012, he took over Derivative Products Sales and was appointed Director in 2014. Commercial Banking was added to his current duties in 2015 and he has been working as Executive Vice President in Commercial Banking and Project Finance since June 2016.

Enis Kurtoğlu
Executive Vice President

Kurtoğlu graduated from Electrical and Electronics Engineering Department of Bogazici University in 1999, and completed his MBA in London Business School in 2006. He served in several managerial positions in marketing and sales at Citibank Europe Turkey between 1999 and 2002 and in Citibank's Europe, Middle East and Africa Regions London Central Office between 2002 and 2006. He worked as Marketing Director in Citibank Turkey between 2006 and 2010; he joined Finans Bank A.Ş. as Group Manager in charge of Retail Products in 2010. He served as Mass Banking Director between 2012 and 2014 and as Director of Mass Banking and Direct Sales from 2014 to May 2015. Between May 2015 and June 2016, he was the Executive Vice President in Consumer Banking. He has been working as the Executive Vice President in Consumer and Private Banking since June 2016.

Erkin Aydın
Executive Vice President

Aydın graduated from Bogazici University with a BS degree in Civil Engineering and received his MBA degree from the University of Michigan Business School. Starting his career in the US, he undertook Business Development Associate, Project Engineer and Project Manager roles in various projects. In 2002, he joined McKinsey & Company in Istanbul where he provided consultancy to various Turkish and global financial institutions in the fields of strategy, marketing and mergers and acquisitions. He joined QNB Finans Bank A.Ş. in 2008, and was appointed Executive Vice President of Consumer Banking in May 2011. In September 2017, Aydın was named Executive Vice President of Retail and SME Banking.

Ersin Emir
Chief Audit Executive

Emir graduated from Department of Business Administration, Middle East Technical University in 1994. He received his master's degree in Organizational Psychology at the University of London in 2011. He started his banking career as an Junior Inspector at İş Bankası in 1995. Continuing in his career as Inspector in the Internal Audit Department of Finans Bank A.Ş. in 1998, Mr. Emir was appointed the Deputy CAE in 2004. He was in charge of the Head Office and Subsidiary Audits in the past two years, after which he was appointed the Chief Audit Executive in February 2011.

Halim Ersun Bilgici
Executive Vice President

Bilgici graduated from the Faculty of Law, Ankara University in 1991 and completed his MBA at Yeditepe University in 2010. Bilgici embarked upon his career in 1992 at İktisat Bank, and then held the title of Consumer Marketing Coordinator at Şekerbank. Having started working in Loans Department at Finans Bank A.Ş. in 2003, he was appointed Executive Vice President in Retail Loans in October 2013. Since July 2016 he has been working as the Executive Vice President in Retail and Medium Sized Enterprises Loans.

Hasan Murat Şakar
Executive Vice President

Şakar is a graduate of Industrial Engineering Department, Istanbul Technical University. He worked as the Purchasing Manager at Arçelik A.Ş. between 1992 and 2002, which was followed by the Business Unit Manager position at Rehau Polimer Kimya Sanayi A.Ş. from 2002 to 2005. Having worked as the Purchasing and Technical Services Coordinator in Finans Bank A.Ş. between March 2005 and August 2008, he has been working as the Executive Vice President in Purchasing and Technical Services.

Köksal Çoban
Executive Vice President

Çoban received his bachelor's degree from the Business Administration Department of Middle East Technical University, Ankara in 1990. He completed his MBA at Cass Business School in London. He worked at Türk Eximbank and Demirbank between 1990 and 1997. He joined Finansbank in 1997 and served as the International Markets Group Manager from 1998 to 2000. Assuming a number of managerial posts in the Treasury Department thereafter, he was appointed the Executive Vice President of Treasury in August 2008. He was given the responsibility of International Banking Division in April 2018 and has been the Executive Vice President of Treasury and International Banking Divisions since then. He also serves as a Board Director of QNB Finansinvest, QNB Finans Asset Management and QNB Finans Asset Leasing companies.

Mehmet Kürşad Demirkol
Executive Vice President

Graduated in 1995 from the Department of Electrical and Electronics Engineering in Bilkent University as valedictorian, Demirkol received his M.Sc. and Ph. D. degrees at Stanford University. He worked as Associate Application Engineer at Oracle - Redwood from 1996 to 1997 and Research Assistant at the Stanford University from 1997 to 1999. He served as Senior Associate at the Atlanta and Istanbul offices of McKinsey&Company between 1999 and 2003. He worked as the Group Head of Business Development and Strategy Department at Finans Bank A.Ş. between 2004 and 2005, and worked as Executive Vice President of IT and Card Operations at Finans Bank A.Ş. Russia in 2005. He served as Business Development and Marketing Director at Memorial Healthcare Group from 2005 to 2007 and as the Head of Information Technologies at Vakıfbank in 2007; he then was appointed Chief Information Officer and became the Chief Operation Officer in 2008 at Vakıfbank. In the same year, Operations and ADC responsibilities were also assigned to his position. He started working as Executive Vice President at Finans Bank A.Ş. in August 2010, and since November 2011 Mr. Demirkol has been working as Executive Vice President in charge of Information Technologies, Operation and Channels & Business Development.

Murat Koraş
Executive Vice President

Koraş graduated from the Industrial Engineering Department, Bogazici University in 1999 and completed his MBA in Ozyegin University. He was assigned as a specialist at Finans Bank A.Ş. between 1999 and 2001. In 2004, he was assigned as Assistant Manager in Aviva. He took the tasks of Strategy Office Assistant Manager, Data Mining Assistant Manager, Analytic Marketing Unit Manager and Portfolio Management and Analytics Group Manager at Finans Bank A.Ş. from September 2004 to 2012. Koraş took the Consumer Payment Systems Director position between 2012 and 2015. He has been working as Payment Systems Executive Vice President since May 2015.

Osman Ömür Tan
Executive Vice President

Tan is a graduate of the Statistics Department, Hacettepe University. Tan began work at Yapı Kredi Bankası as a Management Trainee in 1995 and joined Finans Bank A.Ş. in 1998. He served as Corporate Branch Customer Representative, Corporate Branch Manager, Head Office Key Account Management Group Manager and Corporate Banking Group Manager. As of October 2011, he has acted as the Executive Vice President for Corporate Banking. Since 2013 he has been working as Executive Vice President for Corporate and Commercial Banking. He also serves as a Board Member at QNB Finansinvest, QNB Finansleasing and QNB eFinans.

Zeynep Aydın Demirkıran
Head of Risk Management

Demirkıran completed her undergraduate study at the Economics Department, Bilkent University and earned a master's degree in Economics at Georgetown University, Washington D.C. After having lectured at Georgetown University until December 1998, she worked as a specialist at the Risk Management Department of Türkiye İş Bankası between 1999 and 2002 before joiningFinans Bank A.Ş. in 2002. She has been Head of Risk Management since September 2011.

About QNB Finansbank


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QNB Finansbank in Brief and Milestones

Date	Event
1987	• Finansbank A.Ş. was established.
1988	• Finansbank A.Ş. became founding partner of Commercial Union's insurance company in Turkey.
1989	• Finansbank A.Ş. bought 90% shares of PBG Privatbank Geneve S.A., a subsidiary of UBS in Switzerland, and renamed it as Finansbank (Suisse) S.A.
1990	• Bank's shares quoted on İstanbul Stock Exchange (İMKB). • Stepped into the leasing sector by founding Finans Leasing A.Ş. • Finans Foundation, giving scholarships to successful university students with limited financial means, was established.
1991	• Participated as 20% shareholder to Banque du Bosphore, established in France.
1992	• Stepped into factoring sector by founding Fiba Faktoring A.Ş.
1994	• Established Finansbank (Holland) N.V., in Amsterdam.
1995	• Approximately 150 branches were opened between 1995-2003 pursuant to resolution to conduct retail banking. • Being among the 5 pilot banks selected, Finansbank became the first bank globally to put into force Reuters Mail System.
1997	• Its investment banking activities were transferred to a newly established brokerage company Finans Yatırım A.Ş. • Finans (Moscow) Ltd its subsidiary bank in Moscow, started its operations.
1998	• Secondary Public Offering of the Bank took place through the issuance of Global Depositary Receipts (GDRs) which were listed in London Stock Exchange. • Established Finans Leasing S.A. in Romania. • Moved its HQ to Esentepe, Istanbul. • Received ISO 9001 Quality Certificate.
1999	• Launched its mobile banking application. • Issued Galaxy Card, the first credit card with installments that combined the features of credit cards and shopping cards.
2000	• Bank purchased Banca de Credit Industrial si Commercial S.A. based in Bucharest and changed its name to Finansbank (Romania) S.A. • Completed the establishment of a significant investment i.e. the Operations Center in Umraniye, Istanbul.
2001	• Sold its shares in Commercial Union Insurance and Commercial Union Life Insurance to CGU International Insurance Plc. • Established Finans Insurance.
2002	• Completed and activated Core Banking Project that enables renewal of all IT systems of the Bank. • Renamed GalaxyCard as CardFinans.
2003	• The Bank's number of branches reached 150 and number of employees reached 3,928.
2004	• Finansbank became the fifth largest bank in Turkey in terms of consolidated assets. • Finansbank became the first bank to obtain a first subordinated loan from the international markets.
2005	• Bank's number of branches reached 208. • Obtained the highest amount of uninsured securitization loan by a Turkish bank.
2006	• NBG became a 46% shareholder of Finansbank. • At the year end, the number of branches reached 309.
2007	• Finans Emeklilik was founded. • Bank's number of branches increased to 411.
2008	• Opened Erzurum Operation Center. • Established Finans Tüketici Finansmanı A.Ş. for consumer finance activities. • Bank took its place among the 3 "Most Favorite Firms in Turkey", a research conducted by the Capital Journal for the 8th time. • NBG Group became a 94.8% shareholder of Finansbank following their purchase of shares from Fiba Holding.
2009	• Offered clients installments on their purchases with CardFinans Cash (debit card) as a first-time practice worldwide.

2010	• Issued Fix Card, a credit card without a membership fee and reached 300,000 sales in the first 6 months. • ClubFinans Doctors, a credit card targeting doctors in particular, reached approximately 1/3 of all doctors in Turkey with 47,000 customers in the first 8 months. • As a first-time facility from European Investment Fund (EIF) SMEs received significant support in overcoming their collateralization problem. • As a first-time practice in the sector, CardFinans Vadekart offered owners of enterprises opportunities which decreased the use of checks and bills.
2011	• Initiated “Bizce Mümkün” growth program in June.
2012	• Opened a Call Center in Erzurum. • Fully renovated www.finansbank.com.tr internet banking site in line with changing needs of clients with a TL 12.5 million investment in technology. • Cigna, one of the biggest health and life insurance firms in the US, purchased 51% of shares of Finans Emeklilik. • Signed a 15-year agency contract with Sompo Japan Insurance, one of the biggest insurance companies worldwide. • As a first-time practice in Turkey, features of a debit card and a credit card were combined in Fix Card. • Established Enpara.com, the first digital banking platform in Turkey.
2013	• Established eFinans.
2014	• A syndicated loan with the highest amount in the history of the Bank was obtained from international markets. • “Basemap” project, geared towards increasing service quality, ranked second in sales efficiency innovation category in EFMA one of the most prestigious innovation competitions in the finance sector.
2015	• Established a social responsibility platform focused on children namely Tiny Hands Big Dreams (MEBH). • Finansbank won a total of 9 awards in 4 categories, 3 of which being first places, in Bonds and Loans Turkey which is considered to be the Oscars of the finance sector. • An agreement was signed for the sale of Finansbank by NBG to Qatar National Bank.
2016	• Purchase of Finansbank by Qatar National Bank was completed and the trade name of the Bank was changed to QNB Finansbank. • Following transfer of all shares of the consumer finance company to QNB Finansbank, the name of the firm was changed to Hemenal Finansman and the company started its operations.
2017	• QNB Finansbank celebrated its 30th anniversary. • As a first in the Turkish finance sector, 4 case studies (in 1994, 2006, 2015 and 2017) were made by Harvard Business School on QNB Finansbank’s successes.
2018	• QNB Finansbank and Turkish Airlines signed a cooperation agreement for a five-year period in order to issue Miles&Smiles Credit Cards to Turkish Airlines (THY) members as a part of the Turkish Airlines’ frequent flyer program. • Fincube Incubation Center and Acceleration Program has been initiated in order to develop future banking Technologies and Support innovative initiatives.

Vision, Mission and Values

VISION

Being the architect of every individual and commercial financial plan that will catalyze Turkey's success

MISSION

Forging lifelong partnerships with all stakeholders by understanding their needs, finding right solutions and aiming for maximum customer satisfaction

VALUES

RESPECT AND COMMITMENT

BEING “US”

LEADERSHIP

INNOVATION

About QNB Finansbank

Key Financial Performance Indicators

(mn TL, unconsolidated)	2015	2016	2017	2018
Performing Loans	56,529	62,310	81,883	95,295
Deposits	48,566	53,939	67,641	87,090
Shareholders' Equity	9,024	10,126	12,155	14,572
Total Assets	85,727	101,503	125,857	157,416
Net interest income(*)	3,145	3,786	4,277	5,666
Net fees and commission income	1,314	1,363	1,686	2,140
Net Profit	706	1,203	1,603	2,410

(mn TL, consolidated)	2015	2016	2017	2018
Performing Loans(**)	58,865	65,452	87,483	101,470
Deposits	48,311	53,865	67,543	86,826
Shareholders' Equity	9,405	10,304	12,428	14,603
Total Assets	88,049	104,326	131,195	163,500
Net interest income(*)	3,281	3,961	4,441	5,861
Net fees and commission income	1,387	1,445	1,783	2,252
Net Profit	680	1,238	1,772	2,573

(*) After swap expenses
(**) Includes leasing and factoring receivables

Shareholder Structure

	Capital (TL thousand)	Share (%)
Qatar National Bank (Q.P.S.C.)	3,345,892	99.88%
Others	4,108	0.12%
Total	**3,350,000**	**100.00%**

International Credit Ratings

Fitch Ratings	
Long Term FC Issuer Default Rating	BB-
Long Term LC Issuer Default Rating	BB
Short Term FC Issuer Default Rating	B
Short Term LC Issuer Default Rating	B
Long Term National Rating	AA (tur)
Viability Rating	b+
Support Rating	3
Long Term Senior Unsecured Debt Rating	BB-
Moody's	
Long Term FC Deposit Rating	B2
Long Term LC Deposit Rating	Ba3
Short Term FC Deposit Rating	NP
Short Term LC Deposit Rating	NP
Baseline Credit Assessment	b2
Adjusted Baseline Credit Assessment	ba3
Long Term FC Senior Unsecured Debt/Issuer Rating	(P) Ba3
Long Term LC Senior Unsecured Debt/Issuer Rating	(P) Ba3
Capital Intelligence	
Long Term Foreign Currency Rating	BB-
Short Term Foreign Currency Rating	B
Financial Strength Rating	BB+
Support Rating	2

QNB Group at a Glance

We are proud to be a part of the QNB Group, a strong and highly-rated bank, with a growing international footprint. Established in 1964 as the first Qatari-owned bank, QNB is the leading financial institution in the Middle East and Africa (MEA). QNB Group today is present in more than 31 countries spanning across three continents, with more than 30 thousand employees serving 24 million customers. Proud of its Qatari heritage, QNB Group contributes substantially to the region and beyond.

Businesses of QNB Group

1. Wholesale and Commercial Banking

Offers a comprehensive suite of wholesale and commercial banking products and services, including structured finance, project finance, transaction banking, financial institutions, treasury, investment banking and advisory services.

2. Asset and Wealth Management

Provides a powerful collection of onshore and offshore private banking and asset management products, with a bespoke relationship-driven approach for its institutional, high and ultra high-net worth clients. These offerings are complemented by brokerage and custody services in its major presence markets.

3. Retail Banking

Offers a broad array of retail banking products and services across a multichannel network, with more than 1,183 branches and an ATM network of more than 4.4 thousand machines (including those of its subsidiaries and associates), and also premium banking services, designed for affluent clients,through QNB First and QNB First Plus.

4. International Banking

Focuses on connecting the network to the Head Office, expanding QNB's global presence and enabling international cooperation, consistency and unrivalled customer experience by providing oversight of and sharing best practice among its international operations.

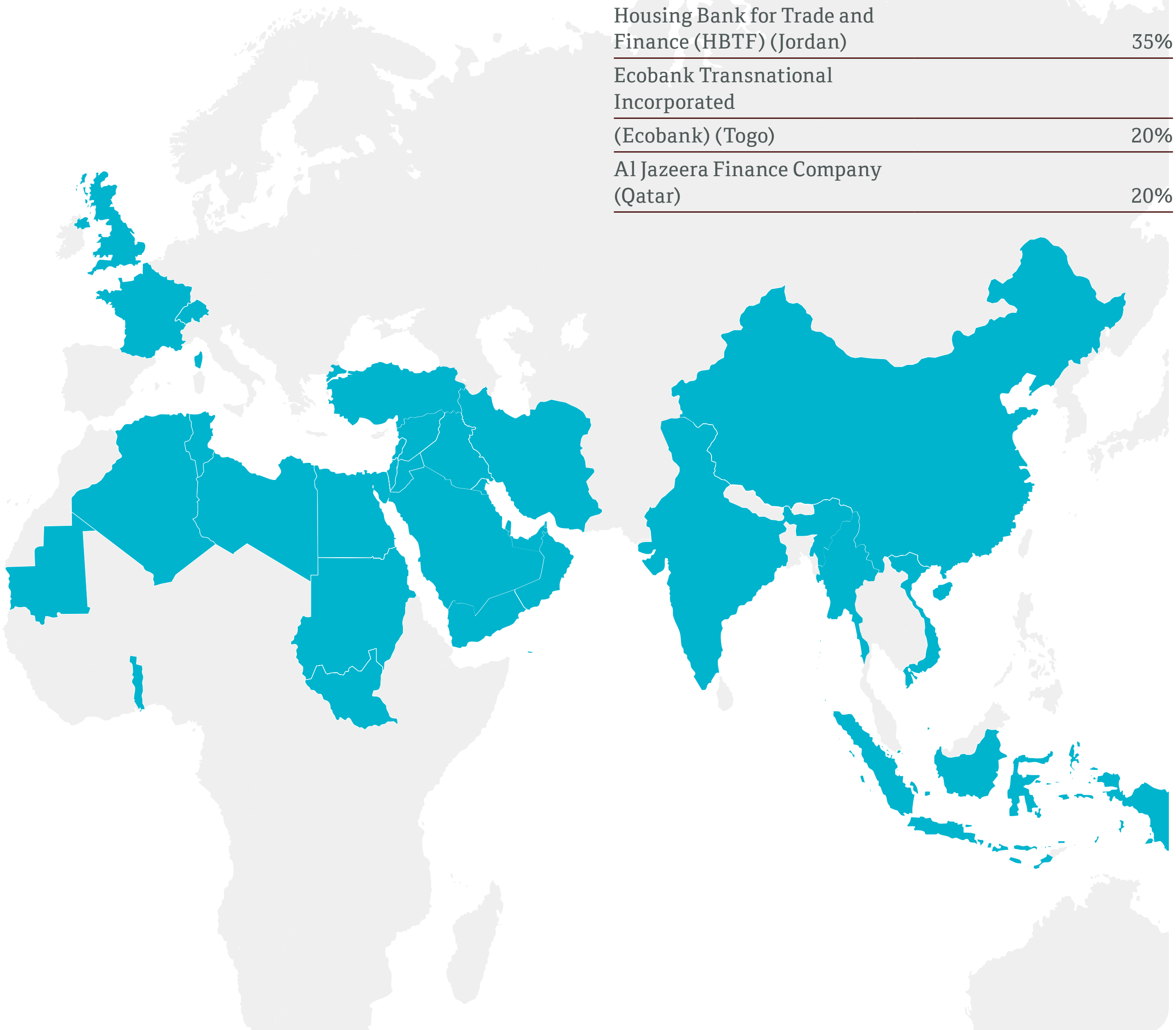
31.12.2018

Key Financial Indicators	
Assets	USD 236.8 bn
Net Profit	USD 3.8 bn
Net Profit Growth	5%
Earnings per Share	USD 3.9
Capital Adequacy Ratio	19.0%

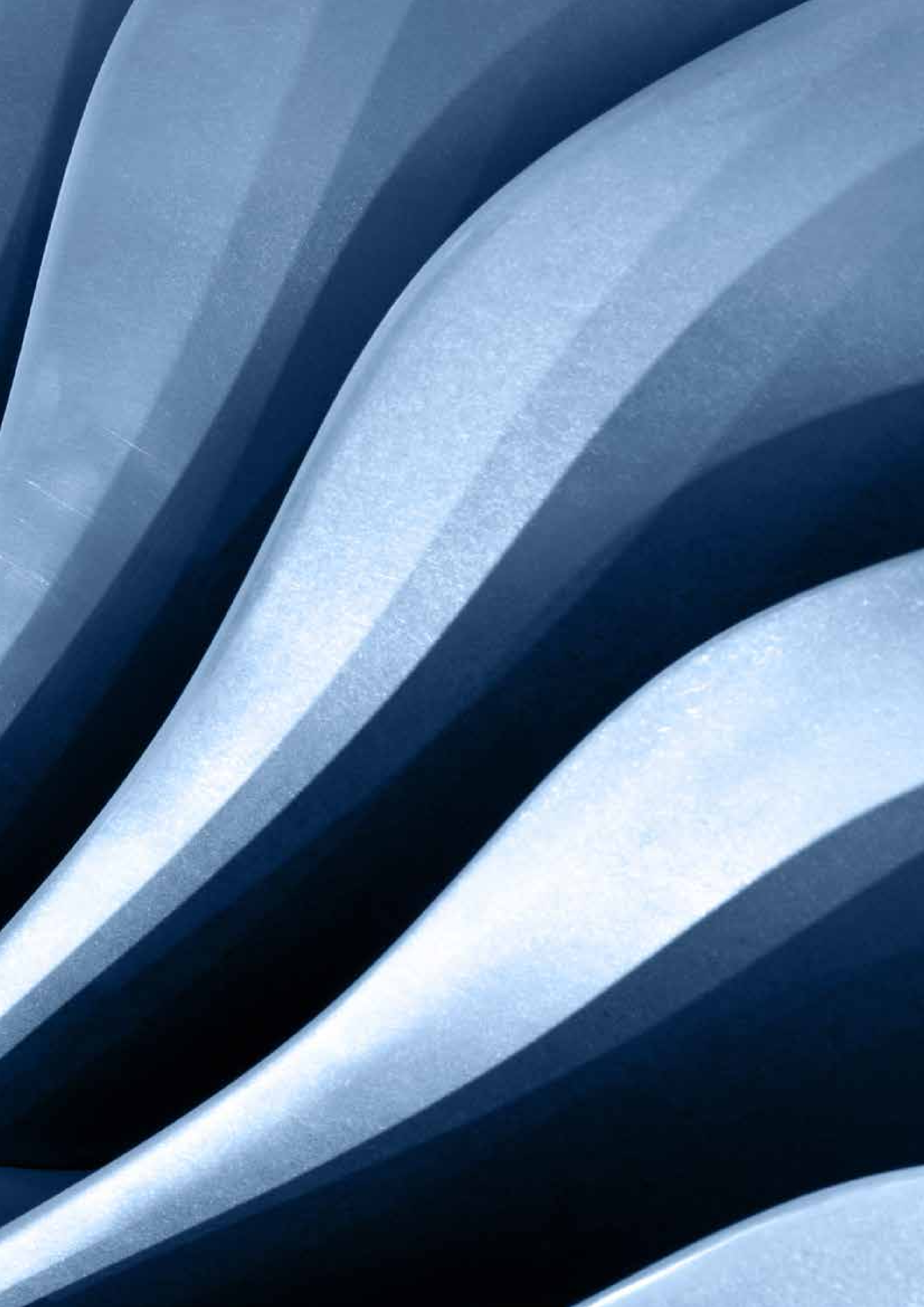
Credit Ratings	
Standard&Poor's	A (Outlook: Stable)
Moody's	Aa3 (Outlook: Stable)
Fitch	A+ (Outlook: Stable)

Subsidiaries and Associates

Name	Stake (%)
QNB Finansbank (Turkey)	99.88%
QNB ALAHLI (Egypt)	95%
QNB Indonesia	91%
QNB Tunisia	99.99%
QNB Syria	51%
QNB Suisse (Switzerland)	100%
QNB Capital LLC (Qatar)	100%
QNB Financial Services (Qatar)	100%
Mansour Bank (Iraq)	54%
Bank of Commerce and Development (Libya)	49%
Commercial Bank International (CBI) (UAE)	40%
Housing Bank for Trade and Finance (HBTF) (Jordan)	35%
Ecobank Transnational Incorporated (Ecobank) (Togo)	20%
Al Jazeera Finance Company (Qatar)	20%



2018 Operations



Corporate and Commercial Banking

QNB Finansbank Corporate and Commercial Banking Division provides services to the most prominent Turkish conglomerates and holdings as well as multinationals through its 4 corporate branches in İstanbul and Ankara, corporate agencies in Bursa, İzmir, Antalya and Adana, and 41 commercial branches located in 17 cities.

Recording a remarkable growth in its target areas, QNB Finansbank Corporate and Commercial Banking Division increased its cash loans volume twice as much as the market did. Notwithstanding its outstanding growth, QNB Finansbank Corporate and Commercial Banking managed to record a non-performing loan ratio below the 2017 level on the back of its steady monitoring of risk levels.

Employing its main shareholder, QNB's international competency and widespread branch network, Corporate and Commercial Banking Division provides services to companies operating in the geographies, where QNB operates.

As a prevalent point of focus in corporate and commercial banking, multinationals operating in Turkey are provided with customized services in domestic and international transfers of cash and goods/services, payments and cash and non-cash loans.

Thanks to its product range, wide network of correspondents, strong technological infrastructure and its ability to broker banking activities in regions where QNB is present, QNB Finansbank increased its foreign trade volume by 10%, reaching market shares of 7.5% in exports, 5.5% in imports and 6.3% on a cumulative basis.

Corporate and Commercial Banking thrived to ease lives of its clients with the Foreign Trade Corporate Internet Branch introduced in 2015, in addition to its traditional foreign trade products. In 2018, 13% of foreign trade clients carried out their transactions fast and conveniently via the internet branch, without visiting the physical branches of the Bank.

QNB Finansbank Project Finance Team, who are well-experienced in the area, differentiates itself from the market via the support as well as solutions it provides to its clients. Despite challenging market conditions, it granted a limit of USD1.2 million to 26 projects, in a broad range of sectors in corporate and commercial segments, of significance to Turkish economy.

Meanwhile, it has continued to support the sector with projects such as the Canakkale Bridge Project and Menemen-Aliağa-Çandarlı Highway Project, standing out as the most prominent projects of 2018. In addition, a hydroelectric powerplant portfolio of 451 MW was funded in 2018.

With its expert team in cash management products, QNB Finansbank assesses payment and collection requirements of clients in its entirety and thus continues its growth on the back of the products and services developed and offered in accordance with this goal. Through Direct Debiting System (DDS), one of the primary products in cash management, QNB Finansbank Corporate and Commercial Banking realized 33% increase in transaction volume and 15% rise in its limits in total. Volume of check cashing increased by 22% compared to the previous year, reaching a 4.8% market share. Meanwhile, the number of companies employing Finans Yıldızı, a product allowing the Bank's clients particularly SME's to carry out their cash management activities through a single portal, increased by 66%.

QNB Finansbank bolstered its leadership position in the area of e-conversion through E-Finans, its 100% subsidiary, which offers specialized integration. QNB Finansbank, differentiating itself with every product it offers as technological developments and digitalization looms large, had a significant achievement, first in the sector, in 2018 by offering e-Ledger to E-Finans clients. E-Ledger is a product that eases operational burden on firms in need of funding via offering financial analysis. Suppliers were provided funding via e-bill discount in addition to its e-bill secured loan facility.

In 2019, QNB Finansbank Corporate and Commercial Banking, serving clients through its subdivisions such as Project Finance and Structured Finance, Cash Management and Foreign Trade, and meeting all banking needs of clients thanks to its robust technological infrastructure, wide range of products, efficient processes and qualified human resources, aims to provide customized services based on a strategy of long-term cooperation.

SME and Agricultural Banking

QNB Finansbank SME and Agricultural Banking is composed of three main service channels, namely, Medium-sized Enterprises, Business Banking and Sectoral Banking. Enterprises with an annual turnover of TL 4 million are served through the Business Banking channel, and enterprises with an annual turnover of TL 4 -40 million are served through the Medium-sized Enterprises Banking channel. All firms operating in tourism and agriculture, independent of their turnover levels, are served through Sectoral Banking.

QNB Finansbank SME and Agricultural Banking continued to support SMEs, seen as the lifeline of the economy, with approximately 1,500 employees at more than 500 branches, thanks to projects it has brought to life and a high level of focus. SME loans comprise approximately 30% of total loans, and QNB Finansbank increased its share in the SME loans market by outgrowing the market.

QNB Finansbank has grown four times in SME loans since 2012, and continued its growth in 2018 while successfully managing its risk by close monitoring. In addition, it went on to extend Credit Guarantee Fund (CGF) supported loans in support of SMEs.

2018 has been a year when deposits were more in focus for QNB Finansbank SME and Agricultural Banking, which resulted in an 18% increase in total SME deposits compared to 2017.

Investment in out-of-branch channels was a priority for QNB Finansbank in 2018 for clients to complete all banking transactions in a swift and efficient manner, without paying a visit to physical branches. SMEs were offered such ease and comfort through “SME Easy Line”, serving SMEs only and offering instantaneous and professional support, allowing SMEs to carry on transactions on the phone. QNB Finansbank internet and mobile branches, specifically designed with SMEs in mind, continued to offer services with newly added functions. In addition, in “Financier 360” project, initiated in 2018 and planned to be carried out in regular intervals, QNB Finansbank SME and Agricultural Banking portfolio managers have been extensively trained in providing 360-degree services and financial consultation. Also, “Business in the Field” Project, initiated in 2017 and further carried on in 2018, allows Business Banking portfolio managers to carry out all banking transactions on their tablets, including account opening, loan application, loan extension and POS demands, during their visits to client workplaces. Client visits, highlighting our customer-centered management style and thus underlining the fact that QNB Finansbank is always with clients, were carried on 5 times more than the previous year. Client visits are aimed at becoming a more responsive bank giving the timely and proper support to clients when need arises.

Aiming to bolster SME power by siding with clients in global competition, QNB Finansbank provides training and consultancy in foreign trade issues. By placing itself close to clients organizationally, QNB Finansbank provides its expertise in foreign trade. Allowing clients to carry out foreign trade transactions via the Internet branch leads QNB Finansbank clients swift and easy access through all channels. 2018 has been a year when focus on foreign trade was more on export clients, resulting in a 19% rise in export volumes compared to 2017.

With client comfort a priority, QNB Finansbank offers “Comfortable Deal” varieties, allowing clients to carry on all banking transactions by paying a single annual fee. Increasing types of Comfortable Deals in 2018 has allowed QNB Finansbank to reach approximately 100 thousand such clients. The increase in the number of such clients is a sure sign of the focus of being next to clients as “Financier” and increasing number of clients.

Real Estate Financing

QNB Finansbank realizes real estate financing with an expert team, with the aim of supporting the construction sector, a key sector in the economy. Project-based and customized financing models are provided to firms active in build-and-sell as well as urban transformation, additionally offering solution partnerships by closely monitoring market developments.

In addition to finance solutions for firms, individual clients interested in purchasing housing in these projects are also supported through campaigns and opportunities in customized payment plans.

QNB Finansbank has offered special terms and project-based finance models to more than 200 real estate firms in 2018.

Under the title “Real Estate Project Managers”, QNB Finansbank extends its expert work structure to branches. In 2019, it shall continue to closely monitor sectoral developments, follow up its innovative efforts and provide customized finance solutions, with expert employees in 13 branches, focused only on the build-and-sell sector.

Tourism Banking

Regarding the strategically important tourism sector, QNB Finansbank determines sectoral needs thanks to its customized organizational construct and provides services and products by sector-specific finance models.

Within the activities of the Ministry of Tourism, QNB Finansbank provided in 2018 an approximate amount of TL 1 billion in loans through the firm- and project-specific finance models, with special terms and securities.

QNB Finansbank, keen on providing the expert touch necessary in different sectors, brings customized solutions to the tourism sector.

2018 Operations

Agricultural Banking

Firmly believing in the strategically significant agriculture and husbandry sector, QNB Finansbank serves the sector with 201 employees, most of whom are agriculture engineers, in 141 branches. With variable services depending on activity and location, and efficient service with wide range of products befitting sectoral dynamics, QNB Finansbank's number of clients reached 123,251 and agriculture loans realized more than TL 2.9 billion.

In order to promote modernization and nosiness models befitting economies of scale, QNB Finansbank offers terms upto 10 years and payment conditions in line with project finance, in investment loans. At the same time it mediates in European Union Instrument For Pre-Accession-Rural Development (IPARD) projects.

QNB Finansbank promotes certification-grade agricultural production for ensuring the producer as well as the consumer to access quality goods. It offers encouraging funding opportunities with favorable interest rates and payment schemes, directed toward organic agriculture and agriculture practices.

Tarım Kart, a loan product with a once or twice a year repayment period in line with harvest periods of farmers, was renewed in September 2018. The renewed product offers farmers a non-interest period of upto 6 months at Tarım Kart-certified POS machines on purchases of agricultural inputs, installment loans available at ATMs with terms upto 2 years, and automatic payment of Social Security (SGK & Bağkur) premiums. At the same time, QNB Finansbank Tarım Kart, a payment product using the infrastructure of Direct Debiting System (DDS), offers a safe purchasing environment with no billing issues, securing debts of suppliers of goods such as seed, food, gas and agricultural pesticides.

Farmers have been informed amply and in detail on efficient use of financial tools, income-expense management, and savings assessment, via the country-wide financial literacy project, initiated in 2016 as a reflection of sense of social responsibility and with the cooperation of EFSE and Frankfurt School. QNB Finansbank aims to increase the coverage of the financial literacy project in 2019. In addition, QNB Finansbank shall continue to bring services and products to clients in order to contribute to developments in agriculture and husbandry.

Retail, Affluent and Private Banking

In line with its strategy, QNB Finansbank operated 542 branches in 2018.

Retail Loans

Structural improvements in processes of retail loans and overdraft accounts were realized in 2018 in order to meet urgent client needs for cash, in a quick and convenient way. Moreover, internet, mobile banking and call center were made fully compatible for rapid loan solutions, and new products were launched.

General purpose loans with various payment plans directed toward different needs, were made available via mobile and internet branches, kredi.qnbfinansbank.com and the Call Center. Within this scheme, special offers were continued to public employees, QNB Finansmaaş customers and first-time loan customers, making sure access to such offers was available through channels other than branches.

Work was done regarding overdraft account products on channels such as branches, ATMs, the call center, tablets and the mobile branch, and loan limits were subject to increase either upon request or automatically. The infrastructure of pricing project, allowing customized campaigns to be offered, were completed in 2018, and the project will go live in January 2019. As of 2018 year-end, QNB Finansbank kept its market leader position in overdraft account products, and reached 7% market share in general purpose and other loans, with a 1% year-on-year increase.

Mass Banking

"Digital Consent", whereby customer experience at QNB Finansbank branches is made more effective through time-saving and protection of nature, was continued to be offered. In 2018, more than 80% of transactions carried out at branches were completed with digital consent and no paper.

QNB Finansbank was able to continue growth in salary payments, thanks to systemic developments in response to changing market trends and the tight cooperation between various business lines. Digital processes allowed QNB Finansbank to sign on many firms and ensured fast access of Bank clients to banking products. Digital processes, whereby QNB Finansmaaş customers may use various banking products with no branch visits, were also completed.

In 2018, corporate profit center and/or international companies have been targeted and salary payments of prominent Turkish and global companies were mediated.
QNB Finansbank continued to be a bank of choice among pension-salary customers through advantageous offers such as exemption at common ATMs and special credit cards. In addition, thanks to the additional campaign promotion to Bank clients who began to receive their pensions at QNB Finansbank, there has been an increase on focus on pensioners as well as a significant hike on customer satisfaction.

2018 has been a year of product development in line with client needs and launch of brand-new products in individual insurance. QNB Finansbank offered Cigna Finans' personal accident insurance package named "Worth to my family", with low premium payments and ensuring financial stability through regular cash inflows for 10 years very much like a salary.

In a world that becomes more and more digitalized every day, cyber risks are more common than ever before. To address this, a digital security insurance product of Sompo Japan, was added to the Bank's product range, allowing Bank clients to guarantee against potential risks. In 2019, the Bank aims to continue offering services with new channels and new insurance products in life, elemental, personal injury, health, and individual pension lines.

QNB Finansbank continued to offer `Gainful Packages from Financier" whereby three different banking services bundles are presented to clients in order to ease their lives. During the year, package contents have been enriched for increased customer satisfaction as well as helping them save on commissions and fees.

In all Bank branches, the Bank provides money transfer services, allowing clients to send and receive money to and from 200+ countries in a fast, easy and reliable way through Western Union. With the launch of Western Union payments through the Bank's mobile banking channel, Bank clients have been able to transact anytime and anywhere, without physically visiting a branch. Thanks to this time-saving enhancement, the share of mobile banking transactions in total number of transactions increased considerably.

In 2018, QNB Finansbank continued to be the main sponsor of Trabzonspor and uniform sponsor of the Fenerbahçe men's basketball team. In order to attain new customer acquisition and increase customer satisfaction, branding and communication activities were carried out for retail banking clients among Trabzonspor and Fenerbahçe fans. Specifically, CardFinans Trabzonspor and CardFinans Fenerbahçe credit cards and other core banking products were introduced through the bank and clubs' channels.

Deposits Product Management

In 2018, in addition to the standard products such as time deposits, QNB Finansbank has continued to offer alternative products to its clients for investment of their savings, such as savings products and products combining the features of time and demand deposits.

Both the "Double Yolk Account", offering simultaneously the comfort of a demand account and interest of the time account, and "Daily Yield

2018 Operations

Account" sustained their upward trend in customer numbers and total balances throughout 2018. "Payroll Account", with 366 day maturity, which invests interest income every month as a second salary, offers the advantage of long-term investment while providing the opportunity to account holders to use interest income monthly. QNB Finansbank provides solutions for different needs of clients with "Flexible Time Deposit", which allows clients to withdraw a portion of their deposits without breaking, maturity and still earn interest on the amount withdrawn.

Throughout the year QNB Finansbank provided safe shelter to valuables of clients as the Bank of trust with Safe Deposits as well as term product QNB Finansbank introduced "Multi-Currency Time Deposit Account" for clients who want to generate income in changing market conditions, whereby both foreign exchange gains and interest earnings can be obtained. Clients can open this account in Turkish Lira, US Dollar, Euro, Pound, Japanese Yen or Swiss Franc. While clients can open as many accounts as they want, they can make a purchase/sale transaction among selected currencies without losing interest. Thanks to multi-currency time deposit account, clients coped with the rate fluctuations in the market with the least possible impact.

Investment Products

Thanks to the expertise of QNB FinansInvest and QNB Finans Asset Management, QNB Finansbank continued to offer mutual funds, corporate bonds, commodities, domestic/foreign equities and future exchanges to their clients in line with their risk and return expectations.

In addition to the existing investment products, QNB Finansbank and its subsidiaries continued to diversify their service and product range with innovative products. QNB Finansbank adopted the principle of providing service to clients with products that best suit current market conditions and the clients' preference for risk and return. Numerous bond issues were realized in 2018, as the time period for opening investment accounts is shortened thanks to QNB Finansinvest online account opening process, increasing customer satisfaction. In order to allow investments held outside the banking system to contribute value added to the Turkish economy, QNB Finansbank participated in the gold transfer process as well as public FX bond issuance. In addition, the Bank has continued to offer gold collection days and other saving products.

Thanks to the expertise of QNB FinansInvest and QNB Finans Asset Management, client assets were managed in line with their respective investment profiles. In the Bank's asset management approach, the target of first priority has always been to add value through professional portfolio management perspective.

Affluent Segment

QNB Finansbank's primary focus in marketing activities and projects was to strengthen relationships with Affluent Segment clients and to increase their loyalty and satisfaction. Thanks to the customer acquisition activities geared towards special client groups, with assets between TL 100,000 and TL 1 million, the number of affluent clients increased considerably.

QNB Finansbank Affluent Segment clients are able to easily access all banking services and benefit from other special services offered by Xclusive World, with dedicated client relations managers and Xclusive call center assistants. QNB Finansbank Affluent Segment clients Aare offered the advantage of free EFT transactions through online and mobile banking, higher withdrawal limits at ATMs, free withdrawal from other banks' ATMs, and favorable stock transaction commissions and safety box fees.

Through the Xclusive Banking Loyalty Program, QNB Finansbank increased retention of affluent segment clients by offering privileges in addition to financial services. Affluent Segment clients with Xclusive credit cards are entitled to benefits such as "Private Personal Driver", "Free Dry Cleaning", "Motovale", restaurant discounts, and free books from the "Xclusive Library". The Xclusive Travel and Concierge Team started to arrange special travel packages and make front seat reservations in special events for QNB Finansbank's segment clients, in addition to its concierge services. Xclusive+ TAV Passport Card, given to clients with TL 250,000+ savings who fulfill the Xclusive+ criteria, has been a present enhancing the travel experience of the clients.

QNB Finansbank High Income Segment shall continue to provide services under the umbrella of "QNB First", QNB's global brand. Clients using Xclusive Banking services that offer the privilege of "being one step ahead in life", shall have access to renewed and global "First Class" privileges in 2019.

Private Banking

QNB Finansbank Private Banking provides a wide range of products to all retail clients with assets under management in excess of TL 1 million.

QNB Finansbank Private Banking manages client assets in accordance with their risk and return expectations. Private Banking clients are offered a wide range of investment products such as deposits, mutual funds, derivative products, equity and futures.

With the motto "Banking Has Never Been So Personal", QNB Finansbank is the first and the only bank in Turkey to present the TAV Passport Card, a card that offers privileges at the airport experience. Moreover, QNB Finansbank Private Banking clients can withdraw cash from ATMs up to TL 10,000 per day, have consultancy services about various topics, enjoy a discount on banking transaction fees and safe deposit boxes, and access information about financial developments with market bulletins prepared specially. QNB Finansbank Private Banking also improves lives of its clients by offering free attendance to many artistic and sporting events as well as sponsorships throughout the year.

Throughout 2018, QNB Finansbank Private Banking focused especially on new customer acquisition and customer retention by offering new products and exclusive service offerings. As a result, the number of private clients has increased more than 30%, on a year-on-year basis.

Quartz Wealth Management

Quartz Wealth Management was established in 2013 for providing services to Bank clients who have high risk tolerance and prefer such sophisticated financial instruments as derivative products, investment fund and capital and money markets intruments in their investments.

Quartz Wealth Management serves Quartz clients with its best in class team of wealth managers recognised for their product expertise as well as market intelligence.

Thanks to the "Quartz Acquisition Model", Quartz Wealth Management reached more than 2,500 clients and approximately TL 11 billion in portfolio size. In addition to the standard banking applications it also extends wealth improvement opportunities in line with clients' risk/return expectations and help manage their risks sustainably.

Enpara.com

Launched by QNB Finansbank in October 2012 as the first direct banking model in Turkey, Enpara.com offers retail and SME banking services through digital channels only (Internet, mobile, call center and ATMs), without utilizing physical bank branches as a service channel.

By attracting 376 thousand new retail customers, Enpara.com has reached a total of 1 million 260 thousand customers, achieving a 42% growth. Serving SME customers under the Enpara.com Şirketim brand, Enpara.com reached 19,000 customers with a 93% increase.

Its deposits reached TL 9.8 billion, and on the loan side, balance reached TL 2.2 billion.

The “no annual fee” Enpara.com Credit Card, launched in December 2017, reached 255 thousand customers in a year.

With its field team visiting customers all around Turkey, its contact center team answering calls in 30 seconds, and its focus on flawless user experience and customer friendly practices, Enpara.com received numerous notes of gratitude from its customers. Rate of customer satisfaction reached 99.2% and net recommendation score was 76%.

Payment Systems

CardFinans

CardFinans ranked among the top five brands in the Turkish credit card market in 2018 with approximately 5.4 million cards issued and TL 63 billion turnover. In 2018, CardFinans market share was 9.34% and the total balance of credit card receivables was TL 10.7 billion. CardFinans aims to infuse meaning into the lives of its customers with its motto being "Life is more than what you buy". Customers were presented with ParaPuan campaigns up to TL 100 on Valentine's Day, Eid Ramadan and in December.

Gift Money

This program enables CardFinans credit cardholders to make free purchases in member stores from TL 150 up to TL 1,500. With spending commitment made by cardholders in exchange for the amount of Gift Money used, customers' usage of CardFinans in their purchases within 12 to 18-month timeframe is secured. The Program includes leading brands in various sectors in addition to making unprecedented offers and has been appreciated by CardFinans users in a short period of time.

CardFinans Fix

CardFinans Fix, one of the first examples in the Turkish market of a card without an annual fee, has become a preferred brand.

CardFinans Retiree

Retirement payroll account holders at QNB Finansbank were offered a new credit card product in 2014, providing discounts and advantages in pharmacies and food stores. This product has become highly favored and the portfolio continued its rapid growth in 2018.

New Customer Acquisition

Credit card portfolio was expanded with the use of targeted campaign offers to new customers. Customers were offered a new channel via mobile banking for their credit card applications. Digital channels increased their market shares in customer acquisition, as spot delivery card practice, which has increased its market share, enhances customer satisfaction and productivity.

Xclusive

As part of its renewed Xclusive World initiative card program continued to introduce a variety of new services and privileges. In addition to its privileges such as 15% discount at restaurants, chauffeur service with discount, Xclusive Library, "Assistance", Motovale service with discount, free dry cleaning, car rental with discount, installments for shopping abroad and Duty Free purchases, and restaurant discounts for spending promises, Xclusive introduced special accommodation deals in global hotel chains.

BÜMED Xclusive

BÜMED Xclusive continued to offer exclusive services and privileges in 2018. Some of these privileges are free BÜMED tuition payment using Gift Money, 15% discount at restaurants, chauffeur service with discount, Xclusive Library, "Assistance", free dry cleaning, Motovale service with discount, installments for shopping abroad and Duty Free purchases. During summer months, cardholders also enjoy free entrance to BUMED's Burç Beach.

Xclusive Doctors

Designed exclusively to serve the needs of doctors, Doctors Xclusive continued to provide privileged services to cardholders. In addition to privileged services such as the Xclusive car, Doctors card offers initiatives embracing the healthcare sector, such as access to "Medical Library".

CardFinans Nurse Card

QNB Finansbank launched CardFinans Nurse Card, a first in Turkey, in March 2013, which is offered to nurses, midwives and medical assistants. CardFinans Nurse Card is a credit card, which offers ease of payment with Paypass features in addition to wide scope CardFinans features and benefits.

CardFinans Cash

CardFinans Cash continued to be the customers' card of choice, thanks to its wide range of campaigns, and ranked 8th in the Turkish debit card market, capturing a 5.36% market share in terms of shopping turnover.

CardFinans Commercial Cards

CardFinans commercial credit cards, designed for supporting cash management of business owners, represent 13.32% of the total Turkish commercial credit card market with 534,941 cards issued. CardFinans KOBİ offers many possibilities such as payment deferrals, after-sales installments, statement deferral and instant loans, making it possible for the users to earn while buying.

POS

In line with the growth strategy, the number of POS machines used in our merchant network realized at 248,286. POS volume market share reached 5.43% with 172,710 member merchants.

Credits

Credits Department aims to manage the quality of the loan portfolio by expert teams in compliance with credit policies set by the Bank, while increasing credit assessment quality in every stage of the loan process via developed models, systems and designed workflows.

Experienced teams are responsible for carrying out lending work cycle operations in all stages from loan application and underwriting to close monitoring and legal proceedings. This structure is also supported by the Bank's strong analytical and portfolio management organization.

In line with the Bank's principle of decentralization in management, loan underwriting and monitoring activities are carried out by the Head Office and 12 credit regions in close cooperation with the field staff. Written credit policies, credit directives and procedures enable the Bank to perform effective risk management and preserve all loan records in the Bank's corporate organizational memory.

Retail Loans (Consumer and Small Business Segments)

Loan policies and strategies are determined according to analytically-driven and rational methods. Loan evaluation and intelligence processes are designed using high technology in a highly automated manner to ensure efficiency and customer satisfaction. To reach targeted quality in the portfolio, efficient portfolio management is performed using application and behavioral scorecards with high filtering capability.

The Bank aims to provide appropriate limits to right customers as quickly as possible using data obtained from the Credit Bureau, the Risk Center integrated in the Bank's Retail Credit Assessment System and other public authorities.

Collection processes are managed quickly and efficiently with different strategies and sources (internal-external agent calls, sending letters, IVN, SMS, etc.) used for different customer segments. Experienced law firms located countrywide follow collection of loans transferred to prosecution. On the other h central collection teams are involved in the collection process. Collection performance is monitored by using analytical methods.

Corporate Credit

Corporate Credit management is carried out in line with the segment division (Corporate, Large Commercial, Commercial, Mid-Sized Enterprises, Project/Syndication, Real Estate Project Financing) by underwriting, monitoring, and legal prosecution teams who are experts in their respective fields.

QNB Finansbank's corporate credit assessment processes carry out its base credit analyses using an analytical methodolody and appropriate financial model for the specific process. Three credit rating models are employed in the banks based on the corporates' segments and sizes, namely corporate, SME and micro credit rating models.

All customers in corporate segments are monitored closely through central information sources such as the Risk Center and the Credit Bureau, early warning systems, and behavioral scoring models. All early warning signals are evaluated on time and necessary actions are taken accordingly. The credit decision framework containing up-to-date customer financials supports underwriting and monitoring functions in a proper manner.

Teams specialized in their respective fields evaluate project financing and syndication credit proposals. They determine specific requirements for each project, develop the most appropriate financing model and monitor these projects. In this manner, QNB Finansbank has taken part in many project finance deals realized in Turkey.

Financial Institutions Credit Management

In 2018, Financial Institutions Credit Management Division has continued to assess the risks of all domestic and international banks and to allocate limits in line with the Bank's credit and risk policies. The Division has allocated limits also in compliance with the Bank's internal rating system while making sure that limits were in proper ratio with the registered capital ceilings.

Treasury

Liquidity Management
The Liquidity Management Desk is responsible for managing the liquidity of the Bank while carrying out the responsibilities of the Bank vis-a-vis its customers, the CBRT and the BRSA. It aims to maintain the optimal liquidity composition in line with balance sheet evolution, growth expectations and business strategies. The Desk fulfills the reserve requirement obligation and monitors the liquidity ratios enforced by the BRSA. It performs transactions in Money, Swap and Repo markets and is actively involved in deposit pricing processes.

Asset and Liability Management
The Asset and Liability Management Desk manages the risks of the Bank's balance sheet, executes funds transfer pricing, and evaluates the cost of funding. It monitors balance sheet items that have risk exposure potential, evaluates various developments in terms of risks, and executes the Bank's risk management strategy determined by the Asset and Liability Committee. The Desk uses hedging instruments such as interest rate swaps and cross-currency swaps for the purpose of risk aversion.

FX and Fixed-income
The FX and Fixed Income Markets Division carries out fixed-income securities, foreign exchange and derivatives transactions. Trading limits, limit utilization and profitability are closely monitored. The Division scrupulously analyzed and successfully managed market volatility and accordingly incurred risks in 2018, contributing positively to the profitability of the Bank.

Treasury Sales
The Treasury Sales Desk, with its customized approach to customers' diverse requirements, targets continuous increase in the customer base and deal volume, while contributing to QNB Finansbank's leading position in capital markets. The Treasury Sales Desk provides its customers with innovative derivative products as opposed to conventional products, ranging from risk management ideas to investment products including capital protected investment alternatives.

Structured Funding
The Structured Funding Division continued to expand its funding opportunities in 2018 despite challenging market conditions, relying on its parent's strengths and credibility. The amount of financing obtained from international markets increased by USD 295 million and the total funding size reached USD 3.64 billion.
QNB Finansbank continued to support micro and small enterprises as well as women entrepreneurs and farmers, with facilities received from the European Investment Bank, Finance in Motion (EFSE), Proparco and the European Bank for Reconstruction and Development (EBRD). In addition to the ongoing relationships with these multilaterals; for the first time, the Bank closed a multi-tied facility with the collaboration of ING and Italian State Export Credit Agency SACE SpA, based on its Italian import trade business of QNB Finansbank. Under this Buyer's Credit, SACE insured a EUR 50 million 5 years funding granted by ING based on QNB Finansbank's customers' purchase of goods from Italy.
In 2018, Credit Suisse tapped its DPR Investment with an additional USD 75 million for 10 years in the second quarter of 2018. In the same quarter, QNB Finansbank also obtained USD 105.5 million funding for a term of 3 years from JP Morgan based on the Bank's portfolio of corporate project finance loans. This funding was the twin-deal of the previous year's, first of its kind for the Bank, USD 200 million closing with JP Morgan, in which the tenor was extended by one year to match the USD 105.5 million funding's maturity.
Additionally, under the MTN program, QNB Finansbank attracted around USD 175 million private placements from various global fixed income investors.

Correspondent Banking
The Correspondent Banking Division, by maintaining its wide network of correspondent banks continued to improve the Bank's position regarding foreign trade operations, funding, international payments and treasury operations.
In December 2018, QNB Finansbank secured syndicated loan with the participation of 27 international banks from 14 countries. The bank raised international funding amounting to USD 239 million and EUR 450.5 million, including the 2-year maturity, EUR 50 million loan obtained simultaneously. The all-in cost of funding of the loan facility, which will be used for financing of foreign trade, was at Libor + 2.75 percent and Euribor + 2.65 percent. The Bank continued to support foreign trade with post financings obtained at a total volume of USD 2 billion.

2018 Operations

Information Technologies, Operations, Channels and Business Development

Information Technologies

In line with the 2018 strategies of QNB Finansbank, the core banking system, Core Finans, was enriched with alternative distribution channels and card payment systems, products and functions, and operational processes were improved.

New products and services have been offered for Enpara.com and the subsidiaries of QNB Finansbank. QNB Finansbank Information Technologies (IT) completed 173 projects requested by QNB Finansbank and its subsidiaries in 2018. 53,974 men-days were spent in the projects and the average effort per project was 312 men-days. 11,000 software replacement demands and requests for less than 40 men-days related to Core Finans, card payment systems, and alternative distribution channels, were completed.

IBTech performed comprehensive R&D investments and projects besides the projects it carried out for QNB Finansbank subsidiaries such as Hemenal, QNB Finansfactoring and QNB Finansleasing.

IBTech, providing services for QNB Finansbank and its subsidiaries in Tubitak Marmara Research Center Technology Free Zone with its strong staff of over 700 people, obtained R&D Center certificate from the RoT Ministry of Industry and Technology on November 15, 2018. IBTech Crystal Tower R&D Center Branch started its activities on December 1, 2018.

In addition to the Crystal Tower R&D Center branch, on November 26, 2018, its third branch was opened Dokuz Eylul University Technopark, in Izmir at DEPARK Tınaztepe Campus. In this center where R&D and innovation projects will be developed in the field of Mobile Banking, creating employment opportunities for the the Aegean Region.

In studies at universities, IBTech was introduced at conferences, congresses and seminars, and an active student pool to be used in the company was established. Apart from domestically funded projects, a consortium was established in ITEA-3 projects structured within the scope of Eureka, funded by European Union, and project application approval was received from Tübitak.

In 2019 QNB Finansbank plans to allocate more resources and time to innovation studies that will serve the financial sector, especially artificial intelligence, machine learning and big data analyses. At the same time, the number of projects to be developed within the frame of university-industry cooperation shall be increased, and products and services which directly respond to customer needs and which produce added value for customers and the economy, will be developed.

Important projects were carried out for subsidiaries. For QNB Finansfactoring, which currently uses an application of an external firm, a new application is being developed. The project with features such as scoring, KKB notification and mobile application, shall be implemented in 2019.

A complaint management system was established for Hemenal, company integrations were carried out, an insurance sales project was developed, and the reporting system was created. After requests of Bank customers are taken via QNB Finansbank digital channels, the project regarding opening an online account on QNB Finansinvest, was implemented.

A new product was introduced with the Enpara.com personal credit card project. A very large project team was established, and many improvements, including credit card product application procedures from all channels, use of credit card as a payment tool, general arrangements in Enpara IVR menus, cash advance, debt observation, debt payment, and password transactions from ATMs, were implemented.

Finansci'M, a mobile application made accessible for more than 13,000 QNB Finansbank employees, allows employees to access, through a single place, quickly and easily, resources on needs such as personnel service information and institutions with which the Bank has discount agreements.

A successful study was carried out in transition to International Financial Reporting Standard IFRS9. It was put into practice simultaneously throughout the world in terms of legal compliance, and timely implementation of legal obligations was ensured. With another project related to Asset/Liability management, forward-looking bank position projection has begun to be followed, especially the production of asset/liability (ALM) and BRSA Liquidity reporting of both Treasury and Risk Management units.

Currently, the product used for Anti-Money Laundering (AML) is replaced with a different product due to lack of funding. Blacklist controls were added to the money transfers made from the Basic Banking application, and personal and corporate loan and credit card application processes, thus facilitating detection of suspicious transactions.

In parallel with the growth target of Foreign Trade, integrity was achieved on the basis of file, through the project for making the systems and processes directive, useful and comprehensible, and including manual follow-ups in the system, and follow-up convenience, efficiency increase, workload reduction and labor gains were achieved and fast and error-free operation was provided. Off-system controls and paper work are largely eliminated, and customer satisfaction increased due to acceleration of transactions.

In order to improve the process of printing, making out and delivering QNB Finansbank checks to branches, an activity done by an external company, check printing operations are being done with purchased printers, resulting in significant gains in operational efficiency. Printing with an external company is maintained as an option in case of a high need.

Check Kiosk (Acceptance Device) development and Core Finance integration were improved, allowing customers to submit their checks to the bank without waiting for the teller. The project, check entry, check return, check safe deposit ejectment, reconciliation and reporting phases of which are complete, is put into practice in pilot branches.

A project including Motivation, Efficiency, Continuity, etc. Sales Gamification Model was implemented in order to provide maximum efficiency in all processes carried out, depending on the KPIs in Call Centers and Collection teams. Target performance system improvements and FTE calculation projects have improved operational processes.

Operation

Operation Field Support Centers (OSDEM), a first in the sector, provides service to all branches and field teams in 25 provinces and 41 locations. Regardless where in Turkey, customers' requests are directly fulfilled by OSDEM teams, and fast and quality service is rendered to customers, complying with the service periods at a rate of 98%.

Customer instructions sent by e-mail and fax are processed automatically by optical character recognition (OCR) solutions, and QNB Finansbank started to inform its customers about the status of instructions sent at every stage.

96% of the monthly-average of 4 million EFT transactions sent to other banks by QNB Finansbank, are sent automatically. 98.5% of the monthly-average of 3.5 million EFT transactions sent to QNB Finansbank by other banks, is automatically recorded in customer accounts.

Cash needs required by branches and ATMs and cash surpluses are managed with a model of estimation that works with an artificial intelligence algorithm. This allows fast and high-quality customer service, and at the same time, reduced operating and funding costs.

Operations carried out by Central Operation (FOMER), which are high in number and do not require a high degree of expertise, are being transferred to Operation Field Support Centers (OSDEM). In this way, effective management of busy periods and increased customer satisfaction with a faster service, is targeted. In 2019, actions in this direction will continue.

Direct Banking

In line with the strategic objectives of QNB Finansbank in the field of digitalization, efforts to expand the use of Direct Banking channels (Mobile Banking, Internet Branch and ATM) by Direct Banking teams continued. In order to gain more customers, increase customer satisfaction and reduce workload and service costs in branches, product and service diversity was increased in cooperation with relevant business units, and various promotion and marketing activities were carried out in order to announce new products in addition to existing services, and to increase their usage. In addition, marketing activities were conducted.

As a result of marketing activities carried out by the Direct Banking Portfolio Management team to provide new customers to digital channels and to ensure customer retention, the number of active digital customers increased by 21% compared to the previous year and exceeded 2.6 million; the digital activity ratio approached 52% as of year-end. 85% of the total digital customer portfolio prefers to receive services only from the Mobile Branch.

Resulting from promotion, directing activities and ATM installations carried out for directing customers from branches to ATM and digital channels, the proportion of cash transactions carried out in branches has been reduced to less than 12%. Regarding highly performed transactions such as deposits/withdrawals and loan/credit card payments, only one out of every ten transactions is carried out at branches.

As of year-end, the number of ATMs reached to 2,940 units, 1,783 of which are outside branches and 1,157 are inside, with a 4% increase throughout the year. With additional investment made on the ATM network, the number of recyclable ATM devices saving operational expenses has been increased. The ratio of these devices in the ATM network reached 72% by the year-end. A money remainder feature has been added to ATMs located in front of branches. Studies regarding extension of these devices will be continued in 2019. Within the scope of ATM sharing by all banks, credit card debt payment, limit inquiry and credit card debt inquiry transactions were opened to service at QNB Finansbank ATMs.

Call Center and Telesales

QNB Finansbank Telephone Banking Department continued to provide, at first contact, fast, accessible and solution-oriented services to customers. QNB Finansbank Telephone Banking Department, with over 1,000 qualified employees in Erzurum, Istanbul Umraniye and Kristal Tower locations, opened in 2018, received 33 million calls in 2018, 59% of which ended in Interactive Voice Response (IVR).

QNB Finansbank Telephone Banking and Telesales departments offered a wide range of products in line with both internal and external customer preference and expectations. 13.5 million calls were made during the year, including external calls, and Bank products and services were promoted and sold.

With speech analytics made via Call Steering (steering with voice in IVR) technology introduced in 2017, a range of operations in Interactive Voice Response increased, maintaining faster and more comfortable customer service.

QNB Finansbank Telephone Banking Department continued to provide qualified human resource to the bank, and 128 customer advisors were transferred to positions outside and inside the department.

The KOBİBulut team, which provides services to QNB Finansbank SME Banking customers, made 1.68 million calls, including calls from legal customers that come to branches.

The Branch Marketing Service Center, which supports marketing activities of branch marketing teams, has continued to increase its support to branch marketing teams through both new business items added to its business portfolio and sales campaigns conducted on a regional basis, and began to contribute to the Bank's financial objectives. 53% of the team were appointed to branches, creating a good career plan for the personnel and providing trained staff to branches. In line with the principle of "Our priority is always the customer", customer needs and transactions are actively monitored, and it continued to meet customer calls received by branches and to contribute to customer satisfaction with high meeting ratio.

Customer Solution Center

The Customer Solution Center ensures that the processes starting with recording the claims, complaints and objections of customers, which could not be met at first contact, up to being resolved and informed to the customers, are realized within the framework of identified quality standards.

In the process of recording solution, the potential of the same problem being experienced by other customers is evaluated, root causes, if any, creating the problem are identified, and necessary follow-up and coordination is provided until corrective actions with regard thereto are identified and implemented.

Improving customer satisfaction and service quality has absolute priority. In order to comply with quality standards, solutions are measured regularly, records that can be met at first contact are identified on the front ends and these are supported by giving necessary feedback to channels. By means of the analysis, flow changes and developments determined to improve the meeting ratio at first contact are ensured to be implemented.

As a result of Customer Solution Center activities, a 12% decrease was achieved in the total number of records opened compared to the previous period, and improvement activities will be continued in the upcoming period.

Business Development & Strategy

QNB Finansbank Business Development and Strategy (FİGS) department regularly monitors business processes and workloads in order to increase the efficiency of sales and operation processes and channel usage efficiency. It offers end-to-end or local solutions based on strategies, changing needs and technological innovations and conducts projects to implement these solutions. Important projects were implemented in both branch and other channels.

Digital approval has become available in 95% of all personal banking products and 60% of banking services. Digital approval rate reached 80%. The opening and closing transactions of safe deposit boxes were moved to the digital approval infrastructure, resulting in faster transaction completion rates. Studies for digital approval of all instructions will continue in 2019. Efforts regarding digital sharing of receipts with customers continue on the basis of product. E-receipt rate in money withdrawals reached 62%.

In order to eliminate waiting periods for couriers in the card delivery process, pre-printed anonymous cards that can be received at branches began to be offered in card renewals. The study was first started in 2017 as a pilot with a specific product group. At the end of the successful pilot process in 2018, it is offered as an option to customers in all cards except a few. This allows QNB Finansbank customers to receive their cards from any branch and use instantly.

With the "Mobil Finansci" application, products offered by the Direct Sales team to the Bank's personal customers via Mobile Tablet have increased. The study, initiated in order to finalize applications received via tablet more quickly, is planned to be completed in 2019.

The study initiated in order to carry out access to sales and customer portfolio information via tablet, with the aim of supporting the increase in sales efficiency of Enterprise Banking and Agricultural Banking branch portfolios and Corporate Direct Sales teams, was completed in 2017. In 2018, efforts were continued to increase the use of tablets and the number of mobile teams was increased and rapid advancement of banking transactions was achieved by providing tablets to operation teams and the employees of general directorate.

Overdraft Accounts and Convenient Package (Rahat Paket) were added to the range of products offered to customers by the Corporate Direct Sales teams. The efforts for Corporate Installment Loans are still in progress.

New products and instructions, including Commercial Card, Agricultural Card, Agricultural POS, Internet Banking Description, Regular EFT, Money Transfer, OFO, HGS, and Instant EFT, were added to the coverage of digital approval, which started with the integration of corporate customer product sales in 2017. 51% of corporate transactions were completed with digital approval.

In order to eliminate the problem of not reaching the customers and courier waiting periods of corporate customers, an immediate delivery commercial/debit card flow was introduced.

In order to facilitate and accelerate the financial data entry process of corporate customers, financial data was uploaded to the system via files containing financial data obtained from the customers and automatic transfer-purification was provided. In addition, in order to facilitate the process of obtaining financial data, QNB Finansbank continues its efforts to make automatically financial data transfers of its customers, for whom e-ledger display permission was obtained through eFinans, a subsidiary of the Bank.

The Agricultural Card product was prepared as a means of payment for agricultural activities for all farmers whose income is from agricultural production and who have a farming certificate. SSI-Bagkur Payments can also be made and Installment Commercial Loans can be used from any ATM with this card which can make agricultural input exchange with interest-free period of up to 6 months in the contracted agricultural merchants. This card, completed with digital approval and delivered to the customer instantly during the application, aims to be on the side of manufacturers at all times.

For Corporate and Commercial Banking, credit limit offers were categorized and accelerated by end-to-end tracking. Digitalization of the corporate limit allocation process is ongoing. In order to increase operational efficiency in corporate banking transactions, infrastructural changes have been provided to facilitate the follow-up and management of efforts.

Repetitive processes in operational and managerial operations are ensured to be done automatically with RPA technology. The aim is to increase satisfaction and reduce costs by providing error-free, faster and high quality service to domestic and foreign customers. In the upcoming period, it is planned to increase the processes that are automated using the said structure.

In 2018, a number of regulations were introduced that provide productivity increase and customer satisfaction in central operation processes. The work flows between the centralized Branch Operations unit and other central operation units are simplified and the approval steps are to be rearranged according to levels of expertise. This study, which will continue in 2019, aims to provide significant savings in the workload of central operation teams and to use the workload of field operation teams more effectively.

In addition, process studies, aimed at increasing efficiency and service quality within the bank's support units and subsidiaries, were completed during the year.

In 2018, improvements which bring user experience to the fore in QNB Finansbank Internet and Mobile Banking channels and which improve transactional diversity and security infrastructure, were implemented. Thanks to Assets Inventory screens launched in the Internet and Mobile Branch, customers are able to observe the details of their bank products in a single field, and the Assets Inventory PDF output was made uniform across all channels.

Finance Password flows in mobile banking have been redesigned and sim card blockage can be cleared during password and activation processes. The option to login to the Internet Branch via QR code was added. Bank customers can access the ATM through the mobile banking application without a card, and withdraw cash by having the square code on the product read on the ATM screen.

Bank customers can now make transactions by talking to Call Center Customer Advisors on Live Support service through QNB Finansbank Internet and Mobile Banking. It is easier for QNB Finansbank customers to reach Live Support Service after the Bank placed it on the front page of its Mobile Banking application. The chat service, which the Bank also placed as a Live Support service on the website, is offered for supporting customers who need help in loan applications, answering their questions and meeting their loan application/pre-application needs. With the increase in the number of chat processes, the aim is to provide customers with more efficient and rich processes by automation.

Bank customers are now able to select loan types such as Standard Consumer Loans, 3-Month Deferred Loans, Public and Finance Salary Loans, and Increased Installment Loans in their applications through the Internet and Mobile Branch. Both individual and corporate customers are allowed to postpone, installments on their credit card expenditures. The commercial card installment process, which the Bank offers only to corporate customers, was added to QNB Finansbank Mobile Branch, and receipt postponement transaction is added to ATMs besides the Internet and Mobile Branch.

Functions that facilitate channel experience of the Bank customers, such as the repetition of past account transactions and search for transactions in the menu via the search box, are included among new transactions the Bank added to its mobile branch. In addition, Swift transaction allowing foreign exchange transfer, adding, deleting and updating phone and address information, giving automatic payment order for the credit card debts, both for minimum amount and total receipt amount, and learning the password of the credit cards, are also included.

Using technological facilities offered by devices, exchange rates and ATM/Branch Locator menus in the Mobile Branch were added as tools (Widget). With the 3D button feature, it became possible to easily access transactions such as QR Code and Money Transfer. In this year where the Bank is not limited to QNB Finansbank transactions, efforts have been made for different platform partnerships such as allowing customers to switch to e-government and to add their credit cards to MasterPass through the Mobile branch.

Mobile Branch in English was launched to help foreign customers use mobile banking in banking transactions. The most frequently used information and transactions of foreign customers, exchange rates, money transfer transactions including Western Union transactions, foreign exchange transactions, ATM/Branch locator and Call Center operations are included in the English Mobile Branch. Efforts toward enriching the content of the English Mobile Branch will continue in 2019, which will help QNB Finansbank to better serve foreign customers.

In the mobile branch, functions have been added to increase, digital usage of SME customers. With Contracted Merchant menu account activities, turnover and working conditions, communication and receipt information of Contracted Merchants can be observed. In addition it is possible to make blockage removals, support service requests, changes in receipt and communications addresses. Transactions made in SME Mobile Branch can now be approved by a second Bank employee, transactions in the approval process can be observed, and approved or rejected individually or collectively. In addition, mobile banking usage rates of Corporate and Commercial customers have increased. The aim in 2019 is wider usage.

In the Call Center channel, by examining the reasons for customers-calls, many actions have been taken to resolve customer needs without the need to call the Call Center or speak to a representative. New menus for functions that customers need have been designed in the IVR, and thus the variety of services, IVR ratio and customer satisfaction have increased. With the efforts carried out in cooperation with the Customer Solution Center, many actions that prevent the occurrence of customer complaints or that were resolved at the time of first contact with the customer were implemented, and the number of objections/complaints were significantly reduced.

All calls coming to the Call Center and all conversations between customers and the representatives, are written with speech-to-text conversion technology, and data mining analyzes were conducted about the reasons for customers' calls. Sound records are analyzed, and emotional and quality evaluations are made. Quality evaluation processes have been automated with the speech analytics system. In-depth data analyzes are carried out for customer satisfaction and developments are implemented in the areas open to improvement.

Many projects were launched in 2018 to increase customer satisfaction and the number of ATM functions. New Generation ATM project is one of the most important developments that will increase customer satisfaction. The project is aimed at customers reaching ATM menus more easily and faster, and reduce transaction times. Within this context, first, changes were made in the main menu and a new menu named Quick Menu was created. In addition, deposit and credit card payment functions were arranged within the scope of the new generation ATM project, and making transactions is faster and easier. In the coming period, other ATM menus will also be reviewed and related studies, primarily on Depositing and Loan menus, will be performed within the scope of the new generation ATM project.

In order to increase customer satisfaction and the number of cash transactions made at ATMs, both hardware and software infrastructures for giving remainder in coins and banknotes were established. In menus with and without cards, transactions such as payment of invoices, loans and credit cards, money deposits and EFT, are included in the scope of coverage, and 2019 aims expansion in all branch ATMs.

A new ATM menu has been established for the new agricultural card project whereby new agricultural card customers are allowed to "Use Installment Commercial Loans, Pay Agriculture Card Debts, Withdraw Money from Overdarft Accounts, Display Agriculture Card Receipt and Display Agriculture Card Current Term Transactions".

Work on integrating new technologies into bank processes is ongoing, focusing mainly on customer satisfaction. These processes will enable customers to use biometric elements to perform all banking operations in their choice of service channels customized solutions, prioritize activities related to functions that will enable customers to realize their needs.

Human Resources

Human Resources Policies

QNB Finansbank, who are aware of the fact that the most valuable asset is its human resources, has designed its human resources policy to increase the Bank's performance and achieve sustainable development through recruitment, training and retention of new talents in the Bank. Within this scope, the Human Resources policy is summed up in four main fields:

• Human Resources Planning and Recruitment: Carrying out the management of the brand as an employer and management of labor force in parallel with the needs of the Bank, and supporting the recruitment process through analysis and business development projects, with the purpose of being an employer of choice and attracting skilled workforce;

• Performance Management: Adapting perceptible and measurable criteria and creating an engaged employee climate with a fair and transparent system for assessment of success in order to increase the Bank's performance in line with individual employee performances;

• Talent Management and Organizational Development: Improving employee's technical and managerial knowledge and skills, retaining employees with high performance and potential and contributing to the development of all financiers; and

• Engagement and Rewarding: Developing policies for increased employee engagement and thus increasing their involvement in the Bank's target achievement efforts.

Employer Brand Management and Recruitment

In QNB Finansbank, where 98% of employees are from the Y generation, analyses are performed on career choices of college students; additionally, university and social media activities are held in accordance with relevant results.

Young people are encouraged to realize their dreams through Finans Up Career Club, Finans Career, Finans Pro, Audit Pro and Finans 101 brands. Finans Up Career Club, chosen Most Well-Known Career Activity by university students in 2018 Most Favored Companies Survey, and which was first to be given the Global Business Excellence in Turkey in 2013, has the "Up Society" process, created in the footsteps of the notion of alumni, which allows students as well as Finans Up members in work life the opportunity to consult on many subjects including work and personal matters.

Projects are carried out for raising awareness of college students in their career path through Finans Up Career Club as well as Finans Career, Internship opportunities are offered for the students who want to gain experience in branch management with Finans 101 and in Head Office with Finans Pro, and opportunities of employment are also provided with Audit Pro to students who want to start their career path in the audit area.

Contribution of talent acquisition activities to brand image is measured through the Most Favorite Companies research carried out by Realta Company. While QNB Finansbank was ranked 8th in 2009 with a 4.8% preferability ratio among banks, it was ranked 1st with a ratio of 17.53% among banks and 23rd among all companies in 2018.

Performance Management

QNB Finansbank performance management process is a management tool that encourages development with continuous feedback and aims at guiding Financiers for high and sustainable performance, allowing individual development alongside increasing corporate performance. With the semiannual performance measurement:

• Financier candidates, who can and/or might contribute in attaining targets of the Bank, who create difference with their performance that affect the performance of the Bank, are determined;

• Business line and division targets are determined in line with the Bank's targets create technical performance results for each employee, while the assessment carried out in order to determine development needs of employees make up the development performance results;

• Strengths and areas of development are assessed on an individual basis specific to each employee, with customized performance model applied for all Financiers. Individual development needs are determined; and

• A road map is created with the purpose of determining and following up actions pertaining to development points. Results are shared with Financiers. Individual performance is evaluated with concrete and measurable criteria in order to increase employee engagement through a fair and transparent system.

Talent Management and Organizational Development

HR Department aims, with talent management and organizational development, at those with high potential to engage their talents and at defining development plans for all employees,

In connection with individual development plans formed as a result of evaluation of potentials, "Finans Master" is the means within which various developmental tools such as training programs, coaching and mentoring processes, MBA programs and domestic/abroad conferences are offered to present managers and managers-to-be that have leadership potential, to develop leadership skills and managerial tact.

Candidates suitable for managerial roles in HQ and field teams, are determined with advanced management development program and practices of the HQ evaluation center.

Employee Engagement

The employee engagement survey exclusive to QNB Finansbank, has been conducted every year since 2007 with the purpose of evaluating effects of satisfaction factors shaping employee engagement. Survey results are examined on the basis of divisions; relevant analyses are made, and actions are exclusively identified for each division with the participation of upper management.

Career and Talent Management

Aiming at training managers internally and enabling each Financier to lead his/her own career path, QNB Finansbank provides its employees this opportunity through "Career Architecture" and "Career Bulletin", and performs one-to-one interviews concerning career objectives of employees through "Career Consulting". Within the scope of "Development Architecture", which aims at selecting Branch Managers from within the organization, measurement-evaluation center implementation and personal development programs are applied.

Training and Development Management

QNB Finansbank involves Financiers in a development process throughout their career journey from their first day. Financiers who are currently employed or reassigned attend certificate programs integrated with career management and performance management systems. Project training programs, which are determined in line with the Bank's strategies, are designed exclusively for segments to increase Financiers' performance and contribution to business results.

Special training sessions geared toward field teams to act within defined working methods in customer relations, sales, loans and risk management, within Finansçı 360 project, were planned for branch employees. Attendees included region heads, branch heads and HQ sales teams. The program shall be restructured every year with different case studies, with respect to changing Bank strategies.

Financiers were lent support through many new programs developed in order to construct training design that will contribute to their increase in performance and to proactively know their needs, define them and meet such needs. Customized, up-to-date and leading programs were designed with the contribution of domestic and foreign training firms, universities and specialists within and outside the Bank.

Financiers may also take advantage of the Development Catalog integrated with performance system, project training exclusive to business lines, domestic/international training sessions, and various development tools such as e-training, articles, videos, book summaries through the training portal Finarmoni. Financiers determine development tools suitable for their needs and have 24h access through any device. In addition to technical and competency development, training sessions that touch personal lives of Financiers are also provided in a customized and simple structure.

Average time period of training sessions per employee provided in 2018 was 9.9 days and attendance ratio was 96%.

Remuneration Management

The Objective of remuneration management in QNB Finansbank is to add new talented employees and increase engagement, satisfaction, motivation and synergy among current employees. Accordingly, a fair, competitive and transparent remuneration methodology, compliant to the Bank's ethical values and internal balances, is implemented. Reward models, which emphasize individual and integrated target-performance and evaluate value added without taking excessive risk, are fostered. Thus, strategic targets of the Bank are supported, and productivity is enhanced. Within the scope of the Bank's premium and bonus models, the Bank paid approximately 2 months' salary on average per employee on the basis of performance. In addition to remuneration and merit management initiatives, employees have many benefits in various fields such as health, leave of absence, transportation, meal, communication and technological opportunities, aid packages and employee support services.

"+1" appreciation and recognition program, created for appreciation of employees displaying outstanding behavior in compliance with the values of the Bank, was sustained to encourage such behavior.

Internal Communications Management

4,932 QNB Finansbank employees came together in 402 activities organized in different provinces by Internal Communications Management, which helps Financiers have balance between their professional and private lives and aims at increasing motivation by contributing to employee engagement and satisfaction as well as making them feel the privilege of being a Financier. In addition to activities, discount settlements were made with 202 companies, providing Financiers with advantages in shopping.

Legal Counseling

Legal Counseling consist of three divisions, namely, Advisory, Cases, and Secretariat to the Board. Activities within the job definition of the Department, including cautionary legal support to headquarter units and branches, such as administrative and legal consultation, follow up of all types of cases and inquiries except those under legal proceeding, and follow up of the Board, General Assembly and corporate governance in general. Additionally, the following have been carried out:

• The Department has carried out work regarding modifications to the Bankruptcy and Enforcement Law and especially regarding composition. Coordination regarding necessary precautions was established among relevant business lines. Training sessions headed by loan teams within headquarters were held in regional directorates and the educational handbook prepared was distributed to participants.

• Work was carried out regarding compliance with rearrangement done in Resolution No.32 on Protection of Value of the Turkish Lira, including lease agreements, letters of guarantee and procurement in many other issues.

• The agreement regarding the syndicated loan of which our Bank is the debtor, was examined in terms of legal risk. In addition, loans, provided to projects in various sectors significant to the Turkish economy, either solo or in participation with other banks, have been supported in a legal sense.

• As a part of the regional representation project many visits were realized to regional offices and branches. As many as 300 visits to branches exacerbated the bond between Legal Counseling and branch personnel. More than 40 thousand requests made through the Legal Request System (HTS) were responded to, cases within the remit of the Department were litigated, and the Bank has been represented before judicial bodies.

• Relevant business units have been notified regarding modifications to legislation in Labor Law, and managers in various units were given training. E-training on mobbing was prepared for managers, a booklet on Labor Law was prepared and distributed, and units were assuredly informed about modifications thereto. Relevant units were informed and properly trained regarding modifications to the consumer legislation. In addition, a booklet on Misdemeanors Regulate by Banking Law was prepared and distributed.

• Resolutions were made that proved to be milestones for the sector. Pandora, an application where online access is possible within Legal, that comprises judicial decisions as well as inhouse legal practices, was up and running. Within the context of the DavAkademi Project, valued educators and academics participated in training seminars devised for bank personnel on current legal issues.

• Participation in Turkish Banking Association (TBB) working groups allowed steering power. A presentation on the new Presidential System was made to the upper management and business lines. Various training sessions, including Constitutional Law, Banking Law, Law of Obligations, Bankruptcy and Enforcement Law, Labor Law, Consumer Law, Competition Law, and Law on Protection of Personal Data, were given to the personnel.

Subsidiaries and Affiliates

Cigna Finans Pension and Life (Cigna Finans Emeklilik ve Hayat A.Ş.)

Cigna Finans Pension and Life, a private pension and life insurance company, was established in 2007 as a 99.9% subsidiary of Finansbank with the name Finans Emeklilik ve Hayat A.Ş.

In 2012, Cigna, one of the world's leading health and life insurance companies, entered into a partnership agreement with Finansbank A.Ş. to expand its operations in Turkey and the merger of Cigna and Finans Emeklilik became official.

Cigna Finans growing stronger through the merger, and with its global experience, wide service network and innovative products and solutions that go beyond insurance, takes the offering of a better quality of life to its customers as a mission.

Cigna Finans achieved 6.1% market share in life insurance through a premium production of TL 425 million and it achieved 12.5% market share among life and pension companies with TL 69 million premium production in personal accident insurance, according to data announced by the Insurance Association of Turkey (TSB) in December 2018. As a result, Cigna Finans succeeded to grow by 2.4% in life and personal accident insurance combined.

According to official data announced by the Pension Monitoring Center published on 28.12.2018, funds of pension participants grew by 1% compared to end of 2017, reaching 679 million TL in total net asset value.

QNB Finansleasing (Finans Finansal Kiralama A.Ş.)

QNB Finansleasing is one of the first established companies in the leasing sector. Since its establishment in 1990, QNB Finansleasing has been playing an active role in financing investments. As one of the leading companies in the sector it has always followed a customer-oriented strategy and developed tailormade financing models. Having a widespread branch network in Anatolia enabling it to analyze the needs of SMEs on-site, QNB Finansleasing today operates through a network of 14 branches, 1 being in the Free Trade Zone.

As at 2018 year-end, QNB Finansleasing's leasing receivable reached to TL 5,466 mn. The Company generated 520 million USD new business volume mainly from textile, construction and metal industries.

In 2018, QNB Finansleasing continued to generate business in the energy sector. The Company mainly focused in financing export transactions. The Company continued to support its customers by using Credit Guarantee Fund.

QNB Finansfactoring (Finans Faktoring A.Ş.)

QNB Finansfactoring has been operating since October 2009 through its head office in Istanbul and 25 branches across Turkey.

QNB Finansfactoring, where QNB Finansbank is the 100% shareholder, aims to grow together with its customers as their most preferred solution provider in every financial plan and to be among the top ten companies in the sector.

At the end of 2018, the Company's turnover reached TL 5.3 billion and factoring receivables amounted to TL 1.2 billion. In line with the strategy of focus, the share of small and medium-sized companies in the portfolio increased in 2018 and the number of customers reached 1,758.

QNB Finansinvest (Finans Yatırım Menkul Değerler A.Ş.)

QNB FinansInvest operates 14 branches in 12 provinces with its specialized and experienced staff, in addition to QNB Finansbank branches across Turkey. QNB Finansinvest Retail and Asset Management offers a vast range of products such as fix-income instruments, investment funds, stock certificates, term transactions and options markets, international markets, and leveraged purchase & sales transactions, while also providing individualized portfolio products and financial solutions and investment consultancy services complying with the risk understanding of our individual investors.

QNB Finansinvest also offers intermediary and research services for customers who perform transactions involving corporate sales, international intermediary institutions, domestic and foreign funds as well as algorithmic/high frequency transactions. It serves in the fields of Investment Banking, acquisition and merger consultancy, primary and secondary public offering intermediation and issue of borrowing tools. QNB Finansinvest, as a broadly authorized intermediary, performs common and portfolio fiduciary services for collective investment institutions. Since 2014, it renders fund operation services to portfolio management companies in accordance with CMB legislation and other legal regulations.

As at 2018 year-end, QNB Finansinvest had consolidated assets' of TL 912 million, consolidated shareholders equity of TL 177 million. In 2018, it recorded a 72% rise in its net profit on a year-on-year basis. QNB Finansinvest owns 100% of QNB Finans Varlık Kiralama A.Ş., founded with a capital of TL 200,000 in October 2018. It ranked 10th in BIST Istanbul A.Ş.'s trading volume with a market share of 3.6%, and 5th in VIOP transaction volume with a market share of 6.5%.

QNB Finans Asset Management (Finans Portföy Yönetimi A.Ş.)

QNB Finans Asset Management was founded in September 2000 with QNB Finansinvest being its main shareholder (99.96%). Under the new legislation and compliant to the permission dated April 17, 2015 of the Capital Markets Board, QNB Finans Asset Management was re-established as a fund management company.

In 2018, QNB Finans Asset Management played a leading role in the sector by managing 7 Exchange Traded Funds (ETF), 7 Mutual Funds, 1 Hedge Fund, 5 Pension Funds and private portfolios of high- income individuals and companies.

QNB Finansportfoy is the sector leader with its 86% market share of the ETF market in 2018. QNB Finansportfoy is the leader for the last two years with its Eurobond Fund in terms of return among its peer funds of Turkey's leading asset management companies.

QNB Finans Asset Management has a paid-in capital of TL 5 million. As at the year-end 2018, the Company had a mutual fund market share of 0.9% with TL 1.1 billion assets under management.

eFinans (eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.)

eFinans, which was established in 2013 to integrate e-Invoice into the financial sector, became a wholly-owned subsidiary of QNB Finansbank in 2018.

Since its establishment eFinans has been providing services with five main products; e-Invoice, e-Ledger, e-Archive, Registered Electronic Mail (REM) and e-Waybill. eFinans has shown a profound growth with its expanding operations and provides services to over 9 thousand customers with more than 12 thousand products by the end of 2018. With the integration of renewed and expanding e-Transformation applications into the financial sector, eFinans has evolved into a FinTech company.

In addition to being the first Turkish member of the European E-Invoicing Service Providers Association (EESPA), eFinans is the first service provider in Turkey to integrate e-Invoice with foreign trade operations by building strategic business partnerships with the leading global companies like Global Blue, Basware, Pagero, Tesisquare.

With its ERP independent structure, eFinans can integrate with over 200 different types of ERP / Accounting software. eFinans has been the first service provider to make out Export and Tax-Free e-Invoice in real environment.

eFinans has broken new ground in Turkey as it has put "e-Ledger Financial Analysis" into service with the cooperation of QNB Finansbank in the year 2018. "e-Ledger Financial Analysis" is a service which digitalizes the documentation and sending process of financial data of the companies to the bank. In addition, QNB Finansbank provides its customers with eCredit; an alternative finance tool based on e-Invoice collateral with eFinans integration.

With Finans Yıldızı, cloud-based application of QNB Finansbank, DDS (Direct Debiting System) transactions as well as all payment transactions of taxpayers can be integrated with eFinans infrastructure, and the Bank provides unlimited cash management options to its customers.

In the near future, as new products such as "Self-Employed e-Receipt and Producer e-Receipt" are included in the system, eFinans aims to continue to provide a quality-based and customer-oriented service for the expanding customer portfolio and to develop new financial services integrated with existing products.

Hemenal Finansman A.Ş.

Hemenal Finansman A.Ş. was established in 2008 for consumer finance transactions as a 100% QNB Finansbank subsidiary under the name of Finans Tüketici Finansmanı A.Ş. In 2012 its shares were transferred to Banque PSA Finance, the bank of French automotive group PSA, and upon becoming a financing company in the auto sector its title was changed to PSA Finansman A.Ş. On December 14, 2015, 99.99% of the company which had a paid-up capital of TL 20 million, was transferred to QNB Finansbank. Title of the company was changed to Hemenal Finansman A.Ş. in April 2016. The IT structure was completed in June 2016 with pilot sales and the company has been fully operative since October 2016.

Having experienced and specialized team members, a competitive and flexible IT structure, and QNB Finansbank's know-how, Hemenal developed cooperation with reputable partners to build a retailer network especially in education, white and brown goods, furniture and electronics sectors. Hemenal reached 760 outlets by the end of 2018 and its assets reached TL 199 million backed by TL 189 million loans.

IBTech

IBTech was established in 2005 and is located in İstanbul. IBTech's focus is to provide software design and enhancement, such as Core Banking (Core Finans), credit cards and internet banking, and to develop applications for the use of the Group. As of December 31, 2018, the total assets of IBTech reached TL 39.4 million .

Bantaş

Bantaş was established in 2009. It is owned by QNB Finansbank A.Ş., Denizbank A.Ş. and Türk Ekonomi Bankası A.Ş., each holding a 33.33% stake. Bantaş securely carries assets between branches and cash centers and gives ATM cash support. As of December 31, 2018, the Company's total assets were TL 83.5 million and net profit was TL 15.1 million.

Corporate Governance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Executive Committees Under the Board of Directors

Audit Committee

On behalf of the Board of Directors, the Audit Committee is responsible for monitoring the effectiveness, efficiency and adequacy of the internal systems of the Bank, functioning of these systems together with accounting and reporting systems in accordance with Law and applicable regulations and the integrity and reliability of information generated by these systems. The Committee is also responsible for making necessary preliminary evaluations required for the selection of the independent auditors and rating, valuation and support service institutions by the Board of Directors; regularly monitoring the activities of the institutions selected and contracted; ensuring that the internal audit activities of subsidiaries subject to consolidation are carried out on a consolidated basis and in coordination with internal audit activities of the Bank.

Members of the Audit Committee are:

• Ali Teoman Kerman: Member of the Board of Directors (Chairman of the Committee)

• Ramzi Talat A. Mari: Member of the Board of Directors

• Durmuş Ali Kuzu: Member of the Board of Directors

• Noor Mohd Al-Naimi: Member of the Board of Directors

Risk Committee

The Risk Committee is responsible for defining the Bank's risk management policies and strategies, reviewing all types of risks that the Bank is exposed to, monitoring the implementation of risk management strategies and bringing important risk related issues to the attention of the Board.

Members of the Risk Committee are:

• Ömer A. Aras: Chairman of the Board of Directors

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Fatma A Al-Suwaidi: Member of the Board of Directors

• Ali Rashid Al-Mohannadi: Member of the Board of Directors

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

Credit Committee

The Credit Committee, within the scope of authorization granted by the Board of Directors as per the Banking Law numbered 5411, is responsible for reviewing, evaluating and approving the credit limits under the limits of Board of Directors and the Credit Committee in accordance with the strategies of the Bank and related legislation. The Credit Committee also monitors the quality of the Bank's credit portfolio and takes part in, and manages the allocation process of the credits within the scope risk-return relationship.

Members of the Credit Committee are:

• Ömer A. Aras: Chairman of the Board of Directors

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Fatma A Al-Suwaidi: Member of the Board of Directors

• Abdulla Mubarak N. Alkhalifa: Member of the Board of Directors

• Temel Güzeloğlu: General Manager & Member of the Board of Directors

• Alternate Members: Osman Reha Yolalan & Noor Mohd Al-Naimi

Corporate Governance Committee

Corporate Governance Committee has been established for the purpose of the bank's achievement to best practice standards of corporate governance, monitoring the bank's compliance with corporate governance principles set by Banking Law and capital markets legislation, ensuring that the Board of Directors composition, structure, working principles and procedures meet all relevant and regulatory requirements.

Members of the Corporate Governance Committee are:

• Ramzi T.A. Mari : Member of the Board of Directors (Chairman of the Committee)

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

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

• Osman Reha Yolalan: Member of the Board of Directors

• Burcu Günhar: Investor Relations Manager

Remuneration Committee

The Remuneration Committee has been established in order to define remuneration and incentive policies of all employees including Board members and senior management and to advise the Board of Directors on such matters in order to comply with the Bank's ethical values, implementations and targets.

Members of the Remuneration Committee are:

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Ali Rashid Al-Mohannadi: Member of the Board of Directors

Other Committees in the Bank

Corporate Credit Policies Committee

The Corporate Credit Policies Committee is responsible for defining corporate loan policies, strategies and procedures while determining risk limits in line with the Bank's risk appetite and approving changes in these limits. Its responsibilities also include monitoring the performance of the Bank's corporate and commercial risks and ensuring that the Bank's corporate and commercial loan practices comply with legal regulations and the principles of the QNB Group.

Members of the Corporate Credit Policies Committee are:

- Sinan Şahinbaş: Vice Chairman of the Board of Directors
- Fatma A Al Suwaidi: Member of the Board of Directors and Risk Committee
- Temel Güzeloğlu: General Manager and Member of the Board of Directors
- Burçin Dündar Tüzün: Corporate and Commercial Credits Allocation Director
- Halim Bilgici: Executive Vice President, Retail and SME Credits
- Ömür Tan: Executive Vice President, Corporate and Commercial Banking
- Erkin Aydın: Executive Vice President, Retail Banking, Payment Systems and Financial Institutions

Retail Credit Management and Policies Committee

The Retail Credit Management and Policies Committee is responsible for defining policies and strategies regarding the Bank's retail loan portfolio and approving amendments to these strategies. It is responsible for measuring, evaluating and monitoring the performance of all retail loan risks and ensuring that the Bank's retail loan practices comply with legal regulations and the principles of the QNB Unit.

Members of the Retail Credit Management and Policies Committee are:

- Fatma A Al Suwaidi: Member of the Board of Directors and Risk Committee
- Temel Güzeloğlu: General Manager and Member of the Board of Directors
- Erkin Aydın: Executive Vice President, Retail Banking, Payment Systems and Financial Institutions
- Halim Bilgici: Executive Vice President, Retail and SME Credit
- Murat Koraş: Executive Vice President, Payment Systems
- Enis Kurtoğlu: Executive Vice President, Consumer and Private Banking Department
- Cumhur Türkmen: Vice President, Enpara.com

Operational Risk Management Committee

The Operational Risk Management Committee is responsible for determining operational risk policies, reviewing and discussing operational risk issues of the Bank and ensuring to minimize them by action planning.

Members of the Operational Risk Management Committee are as follows:

- Zeynep Aydın Demirkıran: Head of Risk Management
- Ahmet Erzengin: Head of Internal Control and Compliance
- Mehmet Kürşad Demirkol: Executive Vice President, IT, Operations, Channels and Business Development
- Murat Koraş: Executive Vice President, Payment Systems
- Argun Derviş: IBTech Board Member/ CISO
- Gamze Dedeoğlu: Corporate Banking Penetration&Portfolio Management Division Manager
- Kaan Ramazan Çakalı: Risk Department Manager
- Ali Yılmaz: Chief Legal Officer

Asset and Liability Committee

The primary purpose of Asset and Liability Committee is to monitor and manage the balance sheet structure and structural asset liability mismatch of the Bank, as well as to monitor, control and manage the liquidity risk within the limits set by the Board of Directors. The Committee evaluates monthly reports submitted by Risk Management and determines critical issues regarding risk.

Members of the Asset and Liability Committee are:

- Ömer A. Aras: Chairman of the Board of Directors
- Sinan Şahinbaş: Vice Chairman of the Board of Directors
- Temel Güzeloğlu: General Manager and Member of the Board of Directors
- Adnan M. Yayla: Executive Vice President, Financial Control and Planning
- Köksal Çoban: Executive Vice President, Treasury
- Elçin Kitapçı: Division Manager of Asset Liability Management

Information Regarding the Participation of the Members of the Board of Directors and Committees in the Meetings

In 2018, the Board of Directors held 7 meetings and all members were present at these meetings except when their attendance was prevented due to reasonable circumstances. Within the scope of Article 390 of the Turkish Commercial Code the Board of Directors adopted several Board resolutions without having meetings.

The Audit Committee held 12 meetings and all members were present at these meetings except when their attendance was prevented due to reasonable circumstances.

The Risk Committee held 12 meetings and other than in exceptional circumstances all members were present at all meetings.

The Corporate Governance committee held 4 meetings and all members were present at these meetings except when their attendance was prevented due to reasonable circumstances.

The Credit Committee held meetings as necessary.

The Remuneration Committee held 5 meetings.

Agenda of the Ordinary General Assembly

1- Opening & Constitution of the Presidential Board; authorization of the Presidential Board to sign the meeting minutes of the General Assembly of Shareholders,

2- Presentation of 2018 Annual Report of the Board of Directors to approval of the General Assembly upon reading and deliberations,

3- Presentation of 2018 Annual Report of the Auditor to approval of the General Assembly upon reading and deliberations,

4- Presentation of 2018 financials (balance sheet and the profit & loss accounts) to approval of the General Assembly upon reading and deliberations,

5- Resolution regarding release of the members of the Board of Directors for their activities in 2018,

6- Resolution concerning the accrued profit of 2018 in accordance with the balance sheet and the contingency reserves of the past year,

7- Appointment of Board of Directors members; determination of number of the Board members and their term of offices,

8- Determination of the remuneration of the members of the Board of Directors,

9- Determination of the Auditor as per the Banking Law and Turkish Commercial Code,

10- Information regarding donations made in 2018 and resolution on determination of upper limit of donations to be made in 2019 as the Capital Markets Law and related legislation,

11- Information regarding disclosure policy of the Bank,

12- Information of dividend distribution policy,

13- Resolution on granting permissions to the Board members within the scope of Articles 395. and 396. of the Turkish Commercial Code,

14- Information on transactions performed in 2018 within the scope of Article 1.3.6 of the Communiqué on Corporate Governance Principles of the Capital Markets Board numbered II-17.1,

15- Information regarding remuneration policies of the Board members and senior management,

16- Wishes and hopes.

Dividend Distribution

Board of Directors' Proposal to General Assembly with regard to dividend distribution

The Board of Directors have resolved to submit the dividend distribution proposal as set out below to the approval of the General Assembly Meeting to be held on March 28, 2019;

To distribute the net profit of TL 2,409,826,453.75 -, which was calculated on the basis of the Bank's 2018 financial statements by deducting the taxes payable, as follows:

General Statutory Reserve - TL 85,129,535.37
General Reserve - TL 2,324,696,918.38
Total - TL 2,409,826,453.75

Summary of the Board Report Submitted to the General Assembly

2018 has been a year when significant developments were experienced in the Turkish economy, beginning with elevated exchange rates and resulting in tightening of fiscal conditions, rising inflation and increasing interest rates. Partial unwinding of the increase in inflation was possible at the year-end through measures taken. The growth rate slowed down and within the accelerated rebalancing process a remarkable recovery was seen in the current account balance. Rebalancing process, reinforced by monetary and fiscal policies oriented towards stability, shall continue to be effective in 2019, and the contraction in current account deficit and decrease in inflation will become more evident in the coming months.

Despite the adverse effects of the sudden rise of exchange rates on firms with foreign currency loans, we anticipate the fiscal incentives to reinforce the real sector. 2019 points to important opportunities for exporters.

In the global economy, on the other hand, a slowing of growth rates is anticipated. The IMF lowered its global growth estimates from 3.7% to 3.5%. The trade tension between the US and China has impacted economies in various ways and will continue to do so. Main developments in the global economic arena shall include deceleration of the Chinese Economy, FED's policy of balance sheet reduction and cessation of monetary expansion by the European Central Bank.

Amongst such volatility, QNB Finansbank ended the year successfully. Despite the unfavorable financial conditions faced in 2018, our Bank performed better than its peers. Our sound and prudent balance sheet management policy protected us against currency, maturity and interest risks. Keeping our liquidity high and managing our overall credit risk effectively in all segments, we were further able to control costs by increased productivity.

In 2018, the Bank's total assets grew by 25 percent, reaching TL 157 billion 416 million; performing loans increased 16 percent, reaching TL 95 billion 295 million; and customer deposits rose 28 percent to reach TL 83 billion 413 million. Our bank's net period profit was TL 2 billion 410 million.

As of December 31, 2018, compared to the year-end 2017, our total equity increased by 20 percent to TL 14 billion 572 million, and our capital adequacy ratio reached 15.42%.

We express our gratitude to our clients who have not wavered in their confidence and shareholders for their continuous support. We thank our employees whose superior and selfless contributions we value supremely.

QNB Finansbank Board of Directors

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(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OFTHE BOARD OF DIRECTORS

To the Shareholders of QNB Finansbank A.Ş.

1) Opinion

We have audited the annual report of QNB Finansbank A.Ş. ("the Bank) and its subsidiaries ("the Group") for the period of 1/1/2018-31/12/2018.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit "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 ("IAS") 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 Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical 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 opinion.

3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 4, 2019 on the full set consolidated financial statements of the Group for the period of 1/1/2018-31/12/2018.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"), the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

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5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit 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

March 6, 2019
İstanbul, Türkiye

(2)

2018 Annual Report Statement of Responsibility

QNB Finansbank's annual report is prepared and presented in accordance with the principles and regulations stated in the "Regulation on the Preparation and Publication of Annual Report for Banks" as appeared in the Official Gazette on November 1, 2006, with number 226333.

Mehmet Ömer Arif Aras
Chairman

Ali Teoman Kerman
Board Member and Chairman of the Audit Committee

Ramzi T.A. Mari
Board Member and Audit Committee Member

Durmuş Ali Kuzu
Board Member and Audit Committee Member

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

Temel Güzeloğlu
CEO and Board Member

Adnan Menderes Yayla
Executive Vice President responsible for Financial Control (CFO)

Corporate Governance Principles Compliance Report

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

a) As detailed below and throughout the Report, QNB Finansbank has complied with the imperative principles of the Corporate Governance Principles numbered 1.3.1 – 1.3.5 – 1.3.6 – 1.3.9 – 4.2.6 – 4.3.1 – 4.3.2 – 4.3.3 – 4.3.5 – 4.3.6 – 4.3.7* - 4.3.8* - 4.5.1** - 4.5.2 – 4.5.3 – 4.5.4*** -4.5.10 – 4.5.11**** 4.6.2 and 4.6.3 set out in of the Corporate Governance Communiqué No. II - 17.1, published by the Capital Markets Board (CMB), throughout the financial reporting year of 01.01.2018-31.12.2018.

Principles numbered 4.5.9 – 4.5.12 and 4.5.13 are not applied to banks as per the Principle numbered 4.5.1.

Principle 4.3.4 is an exemption for banks within the scope of Article 6 of the Corporate Governance Communiqué.

b) QNB Finansbank does not implement principles no. 1.5.2 – 1.7.1 - 2.1.2 – 2.1.3 – 2.2.2 (Most of the information herein is stated in the annual report.) – 3.1 – 3.2 - 4.3.9 – 4.5.5 which are advisory principles. However, the Bank has set up a Corporate Governance Committee responsible for monitoring whether the Corporate Governance Principles are complied with, describing the problems that may arise due to noncompliance and offering corrective actions to the Board of Directors. The Committee consists of Ramzi T. Mari, Sinan Şahinbaş, Ali Teoman Kerman, Osman Reha Yolalan and *****Burcu Günhar. During meetings held in 2018, work was performed for improvement of the corporate governance practices in the Bank. The Corporate Governance Committee shall consider the said principles in its activities in 2018 and work towards the improvement of corporate governance practices. The Committee also coordinates the operations of the Investor Relations Division.

The Corporate Governance Information Form and Corporate Governance Compliance Report prepared within the scope of decree of the Capital Markets Board dated 10.01.2019 and numbered 2/49 are available at Public Disclosure Platform (https://www.kap.org.tr/tr/cgif/4028e4a240e95dc90140ee07 6f400178)

*Article three of the Principle numbered 4.37 and Article two of the Principle 4.3.8 shall not be implemented by banks, accordingly such Articles are not implemented.

**Article 4.5.1 includes exceptions for banks with regard to committees.

***The general manager should be appointed to the Credit Committee within the scope banking legislation, this Article is implemented with this exception.

****Corporate Governance Committee is responsible for this Article within the scope of organizational structure of the Bank

*****appointed as Member of the Corporate Governance Committee on May 14, 2018.

PART II - SHAREHOLDERS

2.1.Investor Relations Division

QNB Finansbank established an Investor Relations Division in 2005, for the purposes of overseeing the rights of shareholders and ensuring effective communication between the Board of Directors and shareholders. Activities of Investor Relations Division are carried out in line with the Corporate Governance Communique Part 4 Article 11, dated January 3, 2014, and published by the Capital Markets Board. Investor Relations Division is managed by Ms. Burcu Günhar and supervised by Corporate Governance Committee. Ms. Burcu Günhar holds Capital Markets Activities Level 3 License, Corporate Governance Rating License, Derivatives License, Credit Rating License and appointed as Corporate Governance Committee Member as disclosed in the Public Disclosure Platform on May 14, 2018.

In 2018, all telephone and e-mail inquiries were answered within the scope of the relevant legislation. During the year representing the Bank, Investor Relations attended 2 investor conferences and participated in meetings with 89 international investors and analysts. Regular meetings are held with credit rating agencies. Each quarter presentations based on financial results of the bank were prepared and uploaded on the Investor Relations website.

2.2. Shareholders' Right to Access Information

Within the scope of the Informational Policy of QNB Finansbank as approved at the General Assembly on March 27, 2014, all information in relation to shareholders' rights, such as capital increases, are sent to Borsa İstanbul (İstanbul Stock Exchange) and published in print and on the Public Disclosure Platform (www.kap.gov.tr) in Material Event Disclosure format. Shareholders are informed through emails, meetings and telephone calls, and through the Bank's website, regarding material financial and/or operational information that may affect the exercise of the rights of shareholders.

Appointment of a special auditor is not regulated by the Articles of Association of the Bank. The Bank is audited both by the auditors appointed by the Bank's General Assembly and by the Banking Regulation and Supervision Agency ("BRSA") in accordance with the Banking Law.

2.3. General Assemblies

The Annual General Assembly was held on March 29, 2018 at the Head Office located at Esentepe Mahallesi, Büyükdere Caddesi Kristal Kule Binası No: 215 Şişli/ İstanbul with a meeting quorum of 99.8%. The Board of Directors invitation for the Assembly was published in the Turkish Trade Registry Gazette and two daily newspapers, namely, Güneş and Takvim. Shareholders were duly provided with the date, agenda and information form regarding the agenda of the Meeting through the website of the Bank, the Public Disclosure Platform as well as the electronic General Assembly System. Within the scope of an Internal Directive Regarding Working Principles and Methods of the Bank; the meeting place may be entered by the shareholders registered on the list of those who are present prepared by the Board of Directors or their representatives, Members of the Board of Directors, the auditor, representative of the Ministry and those who will be elected or assigned for the meeting chairmanship. Besides, other directors of the Company, the employees, guests, technicians assigned for audio - vision reception may also enter the meeting place unless decided otherwise by the Meeting Chairmanship. Our Board members, the General Manager of the Bank and other employees and also technicians assigned for audio - vision reception attended the General Assembly, no one from the media attended. At the Annual General Assembly held in 2018, none of the shareholders had been proposed any items to be included to the agenda and none of the shareholders requested any information. The minutes of the Annual General Assembly are presented for our shareholders' review in our website and Public Disclosure Platform.

In the 2018 General Assembly no transactions requiring the affirmative votes of the majority of the independent members of the Board for a Board resolution, were on the agenda.

In the 2018 General Assembly, within the scope of item 10 shareholders were provided information regarding the total amount of donations made in 2017.

In addition, pursuant to Art. 1.3.6 of the Corporate Governance Communiqué No. II - 17.1, information was provided regarding transactions conducted in 2017. The General Assembly was informed that other than transactions conducted in 2017 within the limits allowed by the Banking Law and relevant legislation, no significant transactions of the nature to cause a conflict of interest with the Bank or its affiliated companies were carried out by shareholders in charge of management, members of the Board, members of upper management, and their spouses and kind of second degree by blood and marriage; that they did not conduct, in their own account or on behalf of third parties, any transactions of the type falling under the field of operation of the Bank or its affiliated companies; and that they did not join as a partner with unlimited liability another company carrying out similar commercial transactions.

2.4 Voting Rights and Minority Rights

No voting privilege is granted and no cumulative voting procedure is adopted by the Bank's Articles of Association. Minority rights is not determined as less than 5% (1/20) of the share capital by the Articles of Association. Besides, within the scope of legislation on the Turkish Commercial Code and Capital Markets Law, utmost care is given to the exercise of minority rights.

2.5. Dividend Distribution Policy

Dividend distribution policy of the Bank is approved in the General Assembly dated March 27, 2014. The dividend is calculated under the provisions of the applicable regulations and provisions of the Bank's Articles of Association and determination and distribution of the annual profit are regulated by Article 25 and 26 of the Articles of Association of the Bank; there is no restriction on participation to the annual profit. Besides, policy on distribution of the profit is included to the agenda of the General Assembly separately. The first dividend to the shareholders in the amount of TL 100.000.000 is paid to the shareholders in cash as per the resolution of the General Assembly dated March 29, 2018.

2.6. Transfer of Shares

QNB Finansbank's Articles of Association do not restrict shareholders from transferring their shares. However, share transfer is subject to BRSA approval pursuant to the relevant provisions of the Banking Law.

PART III - DISCLOSURE AND TRANSPARENCY

3.1. Corporate Web Site and Its Content

QNB Finansbank's corporate web page, www.qnbfinansbank.com, contains information, both in Turkish and English, on the Bank's current shareholder and management structure; Articles of Association; annual reports; periodical financial statements and reports; material events regarding the Bank; agendas, minutes and list of attendees of General Assembly Meetings; a sample power of attorney letter; and inquiries and answers provided under the FAQ section.

3.2. Annual Report

The Bank's Annual Report, prepared in accordance with relevant regulations, includes issues on corporate governance principles. The details are given in the "Corporate Governance Principles Compliance Report" section of the Annual Report.

PART IV - STAKEHOLDERS

4.1. Informing Stakeholders

Bank employees are informed about the Bank's operations when deemed necessary via internal communications tools. In addition, managers at the Headquarters and branches are informed about developments via regularly held meetings. The tip-off hotline, set up for informing regarding transactions contrary to the Bank's procedures and instructions, and that are against legislation and improper ethically, is open to access by stakeholders through a number of channels.

4.2. Participation of Stakeholders in Management

The Bank does not have a model to ensure stakeholders' involvement in management.

4.3. Human Resources Policy

QNB Finansbank, aware of the fact that the most valuable asset is its human resources, has designed its human resources policy to increase the Bank's performance and achieve sustainable development through recruitment, training and retention of new talents in the Bank. Within this scope, the Human Resources Policy is summed up in four main fields:

• Human Resources Planning and Recruitment: Carrying out the management of the brand as an employer and management of labor force in parallel with the needs of the Bank, and supporting the recruitment process through analysis and business development projects, with the purpose of being an employer of choice and attracting skilled workforce,

• Performance Management: Adapting perceptible and measurable criteria and creating engaged employee climate with a fair and transparent system for assessment of success in order to increase the Bank's performance in line with individual employee performances,

• Talent Management and Organizational Development: Improving an employee's technical and managerial knowledge and skills, retaining employees with high performance and potential and contributing to the development of all financiers, and

• Engagement and Rewarding: Developing policies for increased employee engagement and thus increasing their involvement in the Bank's target achievement efforts.

QNB Finansbank's number of personnel reached 12,268 by the end of 2018. The number of employees including those at subsidiaries and affiliates is 13,466.

• QNB Finansbank performance management process is a management tool that encourages development with continuous feedback and aims at guiding Financiers for high and sustainable performance, allowing individual development alongside increasing corporate performance. With the semiannual performance measurement;

• Financier candidates, who can and/or might contribute in attaining targets of the Bank, who create difference with their performance that affect the performance of the Bank, are determined.

• Business line and division targets are determined in line with the Bank's targets create technical performance results for each employee, while the assessment carried out in order to determine development needs of employees make up the development performance results.

• Strengths and areas of development are assessed on an individual basis specific to each employee, with customized performance model applied for all Financiers. Individual development needs are determined.

• A road map is created with the purpose of determining and following up actions pertaining to development points. Results are shared with Financiers. Individual performance is evaluated with concrete and measurable criteria in order to increase employee engagement through a fair and transparent system.

Moreover, responsibilities and job descriptions of the employees are designed in written and announced.

Objective of remuneration management in QNB Finansbank is to add new talented employees and increase engagement, satisfaction, motivation and synergy among current employees. Accordingly, a fair, competitive and transparent remuneration methodology, compliant to the Bank's ethical values and internal balances, is implemented. Reward models, which emphasize individual and integrated target-performance and evaluate value added without taking excessive risk, are fostered. Thus, strategic targets of the Bank are supported, and productivity is enhanced.

Within the scope of the Bank's premium and bonus models, the Bank paid approximately 2 months' salary on average per employee on the basis of performance. In addition to remuneration and merit management initiatives, employees have many benefits in various fields such as health, leave of absence, transportation, meal, communication and technological opportunities, aid packages and employee support services.

Remuneration Management has continued to function within the scope of the Remuneration Committee, established in 2013, in compliance with the regulation of the Banking Regulation and Supervision Agency on Corporate Management Principles of Banks.

An Ombudsman's office was established in order to increase the quality of business and lift obstacles in the way of productivity by swift, effective and fair resolution of possible disputes between the corporation and employees, or between employees and managers. The Division Manager responsible for Human Resources Strategic Planning, Recruitment and Career Management was appointed as the Ombudsman.

All employees contact the Ombudsman regarding in-office discrimination, mobbing, harassment, practices contrary to corporate policies and unresolved disputes via e-mail or phone. For cases when reaching a mutual agreement among sides is an admissible option, the primary target of the Ombudsman is for the sides to reach a mutual agreement. In cases where parties fail to reach an amicable solution or an agreement the Ombudsman assesses the current situation and notifies relevant Vice Presidents. One copy of the assessment report is presented to the Office of Vice President responsible for HR and another to the General Manager. Requests need to be processed and the relevant parties notified in one week.

Any illegal transactions, matters of abuse and others falling within the coverage of a Disciplinary Board ruling or that need to be examined by the Board of Inspection, shall be forwarded to the Board of Inspection by the Ombudsman for assessment of information received.

No discrimination complaints from the Bank's employees were received in 2018.

4.4. Social Responsibility and Code of Ethics

QNB Finansbank, in both professional and personel life, believes in the importance of securing the future of a healthy and sound environment. The concept of sustainable banking is applied in every environmental, economic and social policy/process of the Bank. The Bank's business strategy and decision-making mechanism supports its goal to leave a livable world for future generations. With every transaction and funding decision, the Bank strives to promote a sustainable development mindset.

To this end, the Bank has set up a Social Responsibility Committee. In parallel with the research and studies of this Committee, the Internal Audit and Compliance Department carries out activities in terms of compliance with national and international legislation. The Bank has also established a Social and Environmental Management System (SEMS) policy.

Since its establishment, QNB Finansbank has been actively involved in corporate social responsibility projects in a wide and diversified spectrum from culture to art, education, sports and music with a sense of social responsibility. In line with this approach, "Minik Eller Büyük Hayaller(Small Hands Big Dreams)" social responsibility platform was implemented, focusing on 4-14 year-old children and aiming to develope them into analytical, creative, innovative and productive individuals. With projects ranging from mathematics to coding, culture, art and story telling, the platform reached out to more than 400 thousand children across 49 cities. As more than 12 thousand employees, their families and children have become social stakeholders of the platform, more than 2000 Financiers actively volunteered in the projects.

QNB Finansbank "Tales Math Museum Mobile Truck" and "Tales Math Museum" offers students a total of 34 modules and 5 different workshops, where they can explore that mathematics is more than numbers and involves in every aspect of life from art to architecture and nature, and enjoy the opportunity to apply what they learn. "By the power of dreams" project brought to life in cooperation witt the Community Volunteers Foundation (TOG) aims to help primary school students with developing self-confidence , expressing themselves and developing their skills in writing, dreaming and reading skills through story-telling.

QNB Finansbank has adopted a code of ethics as specified under the Banking Law. QNB Finansbank Employee Code of Conduct and QNB Finansbank Code of Ethics for Financial Professionals have been approved by Board of Directors and communicated to Bank personnel online. Codes are also available to personnel access on the internal portal of the Bank.

PART V- BOARD OF DIRECTORS

5.1 Structure and Formation of the Board of Directors

As at 2018 year-end, the structure of QNB Finansbank's Board of Directors (members are written in alphabetic order) is as follows:

Ömer A. Aras,
Chairman

Sinan Şahinbaş,
Vice Chairman

Abdulla Mubarak Al-Khalifa,
Board Member

Ali Rashid Al-Mohannadi,
Board Member

Ali Teoman Kerman,
Board Member and Chairman of Audit Committee

Durmuş Ali Kuzu,
Board Member

Fatma A. Al-Suwaidi,
Board Member

Noor Mohd J.A. Al-Naimi,
Board Member

Osman Reha Yolalan,
Board Member

Ramzi Talat A. Mari,
Board Member

Temel Güzeloğlu,
Board Member and General Manager

In the General Assembly Meeting on June 16, 2016, it was decided that Osman Reha Yolalan shall be appointed as the independent member of the Board, and the members of the Audit Committee shall also be designated as the independent Board Members in compliance with the relevant provisions of Corporate Governance Communiqué (II – 17.1) published by the Capital Markets Board. Osman Reha Yolalan who was elected as independent Board member has presented the independency declaration within the scope of Principle 4.3.6 of the Communiqué on Corporate Governance.

There is no condition occurred which revokes the independent members' independency.

Resumés of the Members of the Board are presented in the annual report.

It is acknowledged that, within the restrictions stated in the Banking Law, members of the Board may also hold professional positions outside the Bank provided that no such position prevents them from fulfilling their respective responsibilities in the Bank and does not cause any conflict of interest.

5.2. Principles Related to the Activities of the Board of Directors

QNB Finansbank Board of Directors held 7 meetings in 2018, in compliance with relevant laws and the Bank's Articles of Association, with the attendance of all members except when prevented due to reasonable circumstances. Moreover, apart from these meetings, the Board has negotiated and decided on various matters.

Board Members are provided with documents that include the agenda for each meeting, prior to the meeting. No dissenting opinion was voiced during the Board meetings.

The agenda of each Board meeting is determined on the basis of proposals by Board Members and the General Management. The Board of Directors has a secretariat in charge of informing and communicating with Board members and ensuring compliance of meetings and resolutions with applicable laws and regulations.

No Board member has preferential voting rights. The loss that may be incurred as a result of Board members' actions has been insured by Directors and Officers Liability Insurance Policy.

5.3. Number, Structure and Independence of Committees under the Board of Directors

Five committees serve under the authority of the Board of Directors, which are Corporate Governance Committee, Audit Committee, Risk Management Committee, Credit Committee and Remuneration Committee.

As at 2018 year-end, the members of the Audit Committee are Ali Teoman Kerman (Chairman), Ramzi Talat A. Mari, Durmuş Ali Kuzu, and Noor Moh J.A. Al-Naimi.

The members of the Risk Management Committee are Ömer A. Aras, Sinan Şahinbaş, Ali Rashid Al- Mohannadi, Ali Teoman Kerman and. Fatma A. Al-Suwaidi.

The members of the Credit Committee are Ömer A. Aras, Sinan Şahinbaş, Fatma A. Al-Suwaidi, Abdulla Mubarak N. Alkhalifa and Temel Güzeloğlu.

The members of the Corporate Governance Committee are Ramzi Talat A. Mari (Chairman), Sinan Şahinbaş, Ali Teoman Kerman, Osman Reha Yolalan and Burcu Günhar.

The members of the Remuneration Committee are Sinan Şahinbaş and Ali Rashid Al- Mohannadi.

The Credit Committee meets when necessary, the Risk Management Committee meets monthly, the Audit Committee meets on a three-month basis at least four times a year, the Corporate Governance Committee meets at least four times a year, and the Remuneration Committee meets at least three times a year. The Board members are appointed to the committees which are legally necessary and due to number of Board members, they can be appointed to more than one committees as member within the scope related legislation.

5.4. Risk Management and Internal Control

In accordance with Banking Law no. 5411 and the Regulation on Internal Control Systems in Banks, the Bank's Board of Directors set up an Audit Committee, the current members of which are members of the Board, and Chairman Ali Teoman Kerman, member of the Board Durmuş Ali Kuzu, member of the Board Ramzi Talat A. Mari, and member of the Board Fatma A.Al- Suwaidi.

The Internal Audit and Compliance Department and the Internal Control Directorate and Risk Management Department report to the Audit Committee.

The Risk Management Department was set up at the end of 2001 as an entity independent from all other executive departments. The Risk Management Department is responsible for measuring possible banking risks, formulating risk management policies, and ensuring that the Bank is run in a manner so that the risks taken remain within the limits of the risks the Bank may wish to take in line with its strategic goals. The Bank aims to conform its Risk Management operations to Basel III standards and applicable legal requirements in force in Turkey. The Risk Management Department reports to the Board of Directors via the Head of Internal Systems and the Audit Committee. Ömer A. Aras, Sinan Şahinbaş, A. Teoman Kerman, Fatma A.Al- Suwaidi and Ali Rashid Al-Mohannadi are members of the Remuneration Committee.

Reporting to the Head of Internal Systems and the Audit Committee, the Internal Control and Compliance Department performed control activities for minimizing the Bank's exposure to operational, regulatory and financial risks.

The Internal Audit Department, founded with the mission to support the Board to protect the Bank's assets, reputation and the sustainability of its activities, reported functionally and administratively through the Head of Internal Systems and Audit Committee to the Banks' Board of Directors in order to ensure the objectivity and independence required.

5.5 Strategic Goals Vision

To help build individual and commercial financial plans that will catalyze Turkey's success.

Mission

To forge a lifelong partnership with all our stakeholders, by understanding their needs, finding the right solutions and aiming for maximum customer satisfaction.

QNB Finansbank's vision and mission are declared publicly on the Bank's corporate website.

The Bank prepares five-year business plans discussed annually by the Board of Directors. In addition to the business plans, the Bank's detailed annual budget is decided in consort with the Board of Directors. After the approval of the business plan and the budget, the Bank's rate of attainment of the objectives, activities and performance are monitored and discussed at regular meetings of the Management.

Upper management approves the strategic goals set by management and monitors the Bank's progress, operations and performance towards meeting them.

5.6 Remuneration

The attendance fee to be paid to the Members of the Board of Directors are determined by the General Assembly. As per note VII.1.4 of Part Five of the Financial Statements, as of December 31, 2018, the gross total provided to upper management, i.e. Board members, General Manager and Assistant General Managers is TL 90,436,000. Remuneration principles for Board members and executive directors have been written and announced via the website of the Bank.

Loans extended to Board members and managers are limited in Article 50 of the Banking Law. No loans are granted to Board members and managers above these limits.

Additional Information on the Activities of the Bank

The Bank does not have a share repurchase program and has not bought back its own shares from the marketplace. The Bank's quarterly financial statements are subject to a limited review, whereas the annual financial statements are audited by an independent auditor. Moreover, the Bank is subject to constant surveillance under the scope of banking regulation and is subject to supervision of the Banking Regulation and Supervision Agency.

With regards to transactions carried out with the Bank's controlling main shareholder, namely Qatar National Bank Q.P.S.C. ("QNB"), and its related subsidiaries and affiliates, there exist no measures either taken in favour of the Bank or refrained from taken. Transactions and/or relevant legal deals among the group companies and related parties have been conducted on an arms-length principle and go through the regular procedures and principles as if they are conducted with an independent third party. There have been no actions taken to the detriment of the Bank either by the controlling main shareholder or its affiliates.

Within the scope of brand strategies and the change of main shareholder, the Bank decided to change its logo and business name. The new logo and business name, "QNB Finansbank", were launched as of October 20, 2016. The previous commercial title of the bank, "Finansbank A.Ş.", was changed into "QNB Finansbank A.Ş." by the registration of the relevant General Assembly resolution dated January 17, 2018 on January 19, 2018.

With regards to the Competition Board investigation, which had been initiated on 02.11.2011 and on 11.03.2013, against several banks including QNB Finansbank A.Ş., the Bank had paid an administrative fine in the amount of TL 40.516 million. The annual action correspondingly filed by the Bank against the Competition Board resolution has still to be tried at the Council of State.

As per the inspection report by the Ministry of Customs and Commerce, the Bank had been imposed to an administrative fine in the amount of TL 43.569 million. The Bank had paid the fine as TL 32.676 million on August 28, 2015, pursuant to the early payment discount under Article 17 of Law of Misdemeanors Nr. 5326, reserving its legal right to appeal the decision and request the annulment. As the annulment action filed by the Bank against the Ministry resolution at the Administrative Court was concluded in favour of the Bank, prosecution process regarding the counterappeal of the Ministry has not been resolved yet.

As a result of the Ministry of Labor and Social Security Labor investigation, the Bank had taken the advantage of the early payment discount and paid a bill of TL 1.853 million versus the actual administrative fine of TL 2.470 million fine imposed pursuant to the report prepared by the General Directorate of Turkey Business Association Istanbul Working and Business Institution Provincial Directorate. The Bank correspondingly resorted to the jurisdiction for the annullment of the mentioned fine and the investigation report resolution. Regarding the action filed for the annulment of the administrative fine, fine amounting to TL 1.612 million was annulled, as the fine of TL 0.9 million was ratified. The action for the annulment of the investigation report has still been tried at the Appeal Court.

Consequent to a RUSF (Resource Utilization Support Fund) investigation on the expenses and fees collected by the Bank from the retail loan in the year of 2011, the Tax Inspection Board Istanbul Large-size Taxpayers Office prepared a tax audit report and resolved the Bank to pay an original RUSF amount of TL 13.726 million for the year of 2011 and a penalty of TL 17.094 million as per the report and the issued accrual voucher, on grounds that the Bank had not calculated RUSF from the fees and expenses collected from the retail loans. The appeal request of the Bank regarding the tax audit report issued and consequent RUSF and penalty amounts issued has been resolved in favour of the Bank.

All legal transactions realized with the controlling company and other affiliated companies thereof, details of which are provided in the Affiliation Reports, have, to the best of the Bank's knowledge of circumstances and market conditions, been done so against compatible counter actions. No measures have been taken or avoided to be taken, and the Bank has suffered no damages. As a result of an inspection of financial transactions the Bank had realized with the controlling company and other affiliated companies thereof, as per Art. 199 of the Turkish Commercial Code, all transactions conducted by the Bank were compatible with ensuing market conditions and precedents, performed on an arms-length basis.

Sustainability

Highlights: 2017-2018

- QNB Finansbank Sustainability Initiative was launched and made public within the 2017 Annual Report.
- In May 2018, a **Sustainability Workshop** was conducted with participation of the Bank's Senior Management and Executive Vice-Presidents to define projects and action plans.
- The Establishment of Sustainability Governance framework including QNB Finansbank Sustainability Policy and Sustainability Committee is in progress.

Our Approach on Sustainability

At QNB Finansbank, we define S**ustainability** as the delivery of long-term value in financial, environmental, social and ethical terms, for the benefit of our customers, shareholders, employees and community, in alignment with QNB Group's sustainability strategy. **It consists of three pillars: Sustainable Finance, Sustainable Operations and Beyond Banking.**

Our Bank's Sustainability Initiative started in **2017** and a materiality analysis was conducted, in order to define sustainability priorities of our Bank. We have conducted this analysis based on Global Reporting Initiative (GRI) Sustainability Reporting Guidelines and Sector Supplements (f.k.a. Sector Disclosures), QNB Group values, our Bank's corporate strategy, stakeholder expectations, feedbacks, and best practice examples.

Within the scope of our sustainability approach, **five topics** out of **fourteen** are deemed as **"Fundamentals of Sustainability" (Table:1)** These topics cannot be materialized nor prioritized since they are equally important and should be achieved under any circumstances in terms of reaching sustainability goals.

Table 1: Fundamentals of Sustainability

Fundamentals (F)	Our Understanding
Corporate Governance, Compliance and Risk Management	To conduct our activities in accordance with regulations, ethical banking principles, internal policies and procedures, in a transparent and an accountable manner, and to establish a robust corporate governance structure in order to achieve these objectives; to proactively manage financial and macroeconomic risks by an effective risk management policy to achieve a robust capital structure, high liquidity and profitable growth; to ensure that our liabilities are met and our activities continue even under unfavorable market conditions.
Financial Performance and Stability	To diversify our funding sources by attracting different investors and investments through our robust financial performance and to put these funds into disposal of our stakeholders to support the society and strengthen the economy.
Customer Satisfaction	To make customer satisfaction and loyalty our top priority while offering products and services catered for our customers' needs.
Confidential Customer Information and Data Security	To employ best measures to mitigate data security risks arising from new technological advancements and to adapt policies and procedures accordingly.
Employee Satisfaction	To be an employer of choice and to increase employee satisfaction and loyalty by establishing a fair and transparent human capital practices.

Other nine topics are classified as our **"Sustainability Priorities" (Table: 2)** and are subject to prioritization as shown in our materiality matrix **(Table: 5).**

Those topics are monitored under three major categories, and are also aligned with relevant **United Nations Sustainable Development Goals** (UN SDGs) **(Table:3)** in order to show our Bank's commitment on sustainability and address the issues pointed out in **UN's 2030 Agenda for Sustainable Development.**

Table 2: United Nations Sustainable Development Goals

The UN SDGs set forth 17 global goals across which society needs to mobilize efforts to end all forms of poverty, fight inequalities and tackle climate change, ensuring that no one is left behind.Detailed information can be reached through the official page: https://sustainabledevelopment.un.org/

Table 3: Sustainability Priorities (Aligned With UN SDGs)

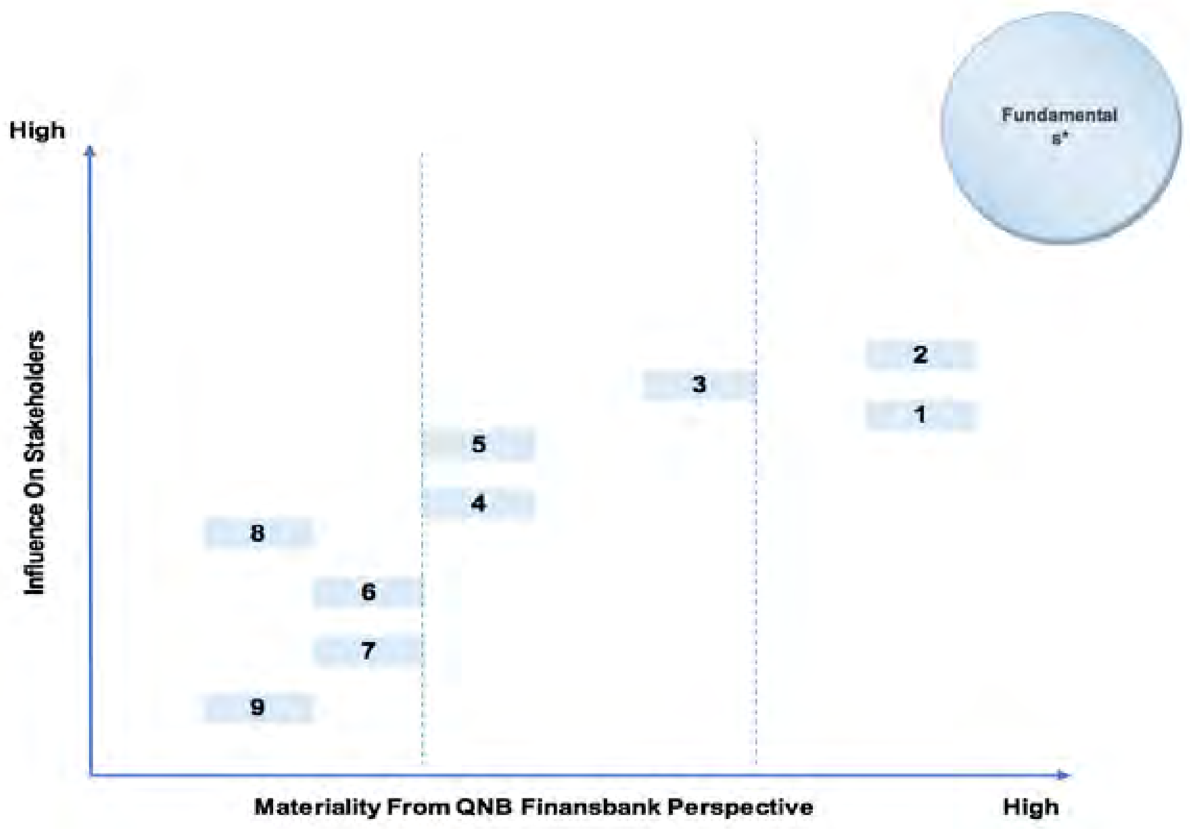
Main Category	Priorities	Objectives	Related UN SDGs
A- SUSTAINABLE OPERATIONS	Talent Management	To continue discovering and employing new talents, and to offer new opportunities for improving their potential while giving utmost importance to retention	4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH
	Environmental Impacts of Our Operations	To set our Bank's Climate Change Strategy and to initiate necessary practices to detect direct and indirect impacts of our operations	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
	Responsible Procurement Policy	To review our procurement practices within the scope of our sustainability goals while taking into account environmental and social performance evaluation procedures of the vendors	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 17 PARTNERSHIPS FOR THE GOALS
B- SUSTAINABLE FINANCE	Digital Transformation and Innovation	To offer user-friendly, accessible and environmentally friendly products and services to our customers aligned with their expectations and technological trends	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Responsible Customer Communication and Marketing Activities	To be honest, transparent and fair at all times in our interactions with customers, to maintain transparency in fees and commissions, and to offer most suitable products and services	16 PEACE AND JUSTICE STRONG INSTITUTIONS
	Sustainable Investment and Lending Processes	To review our investment and lending processes within the scope of our sustainability goals and priorities	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
	Financial Inclusion	To offer products and services to segments of the society who have limited access to financial services	1 NO POVERTY; 8 DECENT WORK AND ECONOMIC GROWTH
	Supporting SMEs and Entrepreneurship	To continue supporting SMEs and entrepreneurs by offering products, services and credit facilities that are catered for their needs	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
C- BEYOND BANKING	Social and Community Investment	To continue supporting social responsibility projects	1 NO POVERTY; 3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES

Table 4: QNB Finansbank Sustainability Framework

Sustainable Financial Performance

Sustainable Operations	Sustainable Finance	Beyond Banking
Corporate Governance, Compliance and Risk Management (F)	**Confidential Customer Information and Data Security (F)**	Social and Community Investment
Employee Satisfaction (F)	**Customer Satisfaction (F)**	
Financial Performance and Stability (F)	Sustainable Investment and Lending Processes	
Talent Management	Supporting SMEs and Entrepreneurship	
Environmental Impact of our Operations	Financial Inclusion	
Responsible Procurement Policy	Digital Transformation and Innovation	
	Responsible Customer Communication and Marketing Activities	

Table 5: Materiality Matrix



Material Topics (2017-2018)

1. Talent Management
2. Responsible Customer Communication and Marketing Activities
3. Supporting SMEs and Entrepreneurship
4. Sustainable Investment and Lending Processes
5. Digital Transformation and Innovation
6. Social and Community Investment
7. Financial Inclusion
8. Environmental Impacts of Our Operations
9. Responsible Procurement Policy

Sustainability Governance Framework

Sustainability Workshop, organized in May 2018, was heldwith the participation of our Bank's Senior Management and Executive Vice-Presidents in order to achieve the following objectives:

- Increase awareness on "sustainability" throughout the Bank;
- Promote the Bank's sustainability initiative to engage internal stakeholders in decision making processes;
- Identify projects and action plans to be implemented regarding sustainability priorities.

In order to emphasize sustainability as one of the most important elements in our decision-making process, the following governance framework will be formally up and running upon receiving necessary approvals in accordance with the corporate governance principles of our Bank.

In broad terms:

- **Sustainability Committee (The Committee)** is responsible for the general oversight of sustainability strategy and performance;
- **Sustainability Working Group** is the team proposing and executing projects and action plans;
- **Strategy Office,** with its designated sustainability sub-team, manages overall sustainability exercises of our Bank.

Stakeholder Engagement and Communication

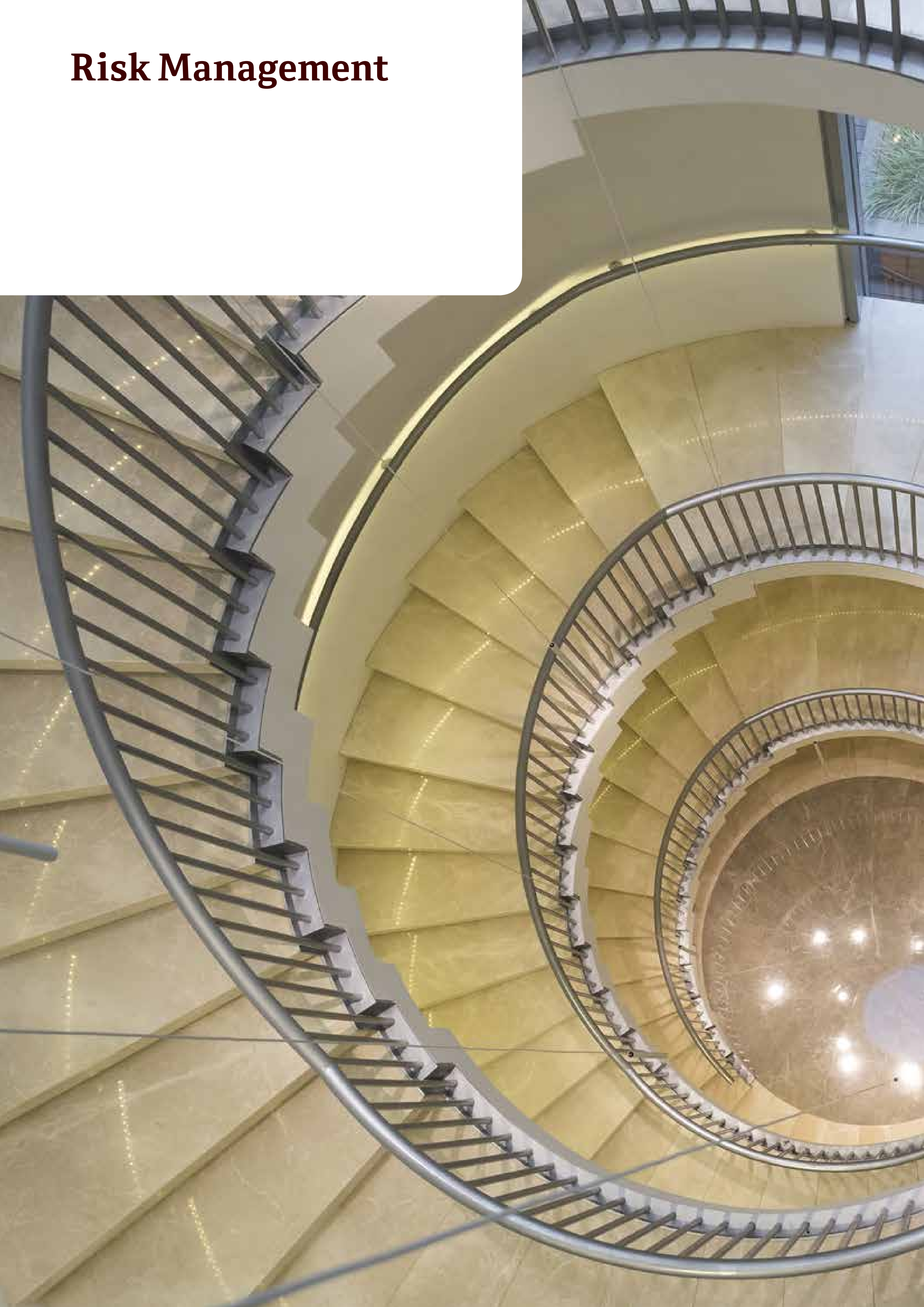
In QNB Finansbank, any person or organization that has an influence on our operations, is affected by our operations and/or has expectations from our Bank is deemed as a stakeholder. Currently, at QNB Finansbank, we employ multiple methods and communication channels to maintain an open, honest and transparent engagement with all our stakeholders, enabling us to evaluate opinions and feedbacks to determine what we can do better. Various communication channels exist, through which all our stakeholders may communicate their expectations from the Bank as well as share their opinions.

In the following terms, those channels will be used more effectively in order to increase stakeholder engagement to receive feedback and gain valuable insight regarding our sustainability initiative.

Table 6: Key Stakeholder Groups and Communication Channels

Stakeholder Group	Frequency of Communication	Channels of Communication
Customers	Continuous	A customer satisfaction survey, “Sizi Dinliyoruz (We Listen to You)” line, corporate website, dedicated corporate websites for specific products, services and campaigns, call center, corporate social media accounts, branches, Customer Experience Office activities
Employees	Continuous	An employee Satisfaction Survey, Artı1 Appreciation and Recognition System, Suggestion System, LEAP Employee Assistance Program, Employee Feedback Platform, Ombudsman, Reporting Line, Suspicious Transaction Reporting Line, “Finansçı (Financier)” Internal Communication Platform, Finarmoni Training Portal, announcements, trainings, seminars, conferences, annual meetings, FinClub Life Workshop events, Internal Customer Satisfaction Survey, Branch visits, senior management’s informative e-mails
Shareholders and Investors	Annually and Quarterly, as needed	Investor Relations Unit’s activities, annual reports, investor presentations, investor meetings, Public Disclosure Platform (KAP) notifications
Public Institutions	As needed	Audits, reports, official correspondence, meetings, conferences
Non-Governmental Organizations	As needed	Social responsibility projects, sponsorships, “Volunteer Financiers” program
International Financial Institutions	Continuous	Meetings, presentations, conferences
Media	As needed	Corporate website, press bulletins, announcements, advertisements, corporate social media accounts, interviews
Suppliers	As needed	Meetings, audits, face-to-face meetings, purchasing processes (tenders etc.), corporate website

Risk Management



Evaluations of the Audit Committee on the Activities of Internal Control, Internal Audit and Risk Management Systems and Information About Their Activities in the Accounting Period

Evaluations of the Audit Committee on the Activities of Internal Control, Internal Audit and Risk Management Systems and Information About Their Activities in the Accounting Period.

The Audit Committee is established pursuant to the provisions of Banking Law No. 5411 and regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process (Regulation). Internal Audit, Risk Management and Internal Control and Compliance Departments of the internal functions report to the Audit Committee. The Audit Committee Office assists the Committee in fulfilling its duties and responsibilities.

On behalf of the Board of Directors, the Audit Committee has the authority and responsibility for:

• Supervising the effectiveness, efficiency and adequacy of the Bank's internal systems and their compliance to the Law, applicable Regulation and the Bank's internal policies;
• Determining if the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risks of the Bank are adequate and operative;
• Supervising the operation of accounting and reporting systems and the integrity of the information generated by these systems;
• Carrying out the necessary preliminary assessment for the selection of independent audit institutions and rating, valuation and support service institutions by the Board of Directors;
• Monitoring regularly the activities of the institutions selected and contracted; and
• Ensuring that the internal audit activities of subsidiaries subject to consolidation in accordance with regulations introduced under the Law are carried out on a consolidated basis and in coordination with the internal audit activities of the Bank.

The Audit Committee convened twelve times in 2018. Based on its observations and evaluations, the Audit Committee concluded that the internal systems of the Bank were efficient and functioning as planned and the internal controls systems were effective.

Moreover, the Audit Committee reviewed all support services procured by the Bank, ensured that necessary actions were taken to effectively manage the risks exposed by these services and the Bank complied with the Regulation on Banks' Procurement of Support Services.

A summary of the activities performed by departments reporting to the Audit Committee is stated below.

Internal Audit Department
The Internal Audit Department has accomplished its mission to support the Board to protect the Bank's assets, reputation and the sustainability of its activities in 2018. In order to ensure the objectivity and independence required when undertaking this mission, audit engagements were carried out and reported functionally and administratively through Head of Internal Systems and Audit Committee to the Banks' Board of Directors.

The Department maintains its activities with 100 personnel and its competent sources in terms of quality and quantity. 1 Chief Audit Executive and 3 Deputy Chief Audit Executive assigned as the Department's management staff. Seven specialized units in the Department are; Credit Processes and Businessline Audits, Operational and Subsidiary Audits, Treasury and Financial Audits, Branch Audits, Fraud and Special Investigations, Fraud Prevention and Data Analysis, and IT Audits. 25% of the personnel have a postgraduate degree.

Internal auditors are encouraged to acquire professional certifications available in their field, which is a prerequisite for promotion. After the results of the 2018 certification exams, the total number of certified employees in CIA (Certified Internal Auditor) is 16, CISA (Certified Information Systems Auditor) is 7, CRMA (Certification in Risk Management Assurance) is 2, CFE (Certified Fraud Examiner) is 11 and SMMM (Certified Public Accountant) is 3. Total number of certifications held by the employees of the Internal Audit Department is 71 and total number of employees obtaining certification is 27.

According to the International Internal Audit Standards of the Institute of Internal Auditors (IIA), Internal Audit Department Activities should be subject to External Quality Assessment Reviews (QAR) once in every 5 years via an eligible and independent external organization. As it is required by the mentioned 5 year cycle, following the QAR received in 2013 another QAR has been received in 2018 and Internal Audit Department compliance with Standards has been certified by the independent audit company. The assurance provided by this certificate is continuously monitored.

QNB Finansbank Board of Directors are periodically informed about the activities of the Department on a continuous basis over the quarterly activity reports submitted through the Audit Committee. In the engagements carried out by the department in 2018, internal control system of the audited areas are assessed under the framework of the annual audit plan which was prepared considering all risk exposures of the Bank.

The internal audit reports prepared as a result of the audit engagements carried out by the Department are submitted to the Senior Management and the Board through the Audit Committee. The actions taken to remediate the identified findings are followed up and regularly reported by the Department throughout the year.
Audit activities consists of Head Office units, branches, subsidiaries and information technologies processes audits. In addition to the planned and unplanned audit engagements, 2018 activities also covered incident-based investigations and inspections as well as participation in various projects and consultancy services.

In 2018, risk assessments of group affiliates and subsidiaries were considered and audits which should be carried out by the Internal Audit Department were determined and performed accordingly. In addition to the studies performed in coordination with the internal audit units of related companies, internal audit departments of group affiliates and subsidiaries conducted audits as well and the results are monitored by QNB Finansbank Internal Audit Department via quarterly activity reports, monthly monitoring forms and Governance, Risk and Control software system named RSA Archer. In addition, attention is paid in order to maintain that the audit methodology of these units is in line with the audit methodology of the QNB Finansbank Internal Audit Department.

In the Information Technologies area, threats, risks and the control environment over criteria such as confidentiality, integrity and accessibility of information are examined and evaluated and assurance has been given regarding adequacy of the control environment. In addition to the information technologies audit engagements at QNB Finansbank group affiliates and subsidiaries, the Department also monitors closely the effectiveness, adequacy and independence of the internal audit-control activities regarding information technologies and if required, provides necessary support to the units. The outsource companies which provide services to information technologies are also audited.
Internal Audit Department utilizes computer assisted audit technologies and scenario-based examinations as well as data mining methods are employed in order to prevent cases of fraud. In addition, with the use of these techniques various analytical queries can be run within the context of audit activities and if needed specific data or samples can be prepared for special use.

The Governance, Risk and Control software system RSA Archer, which was initiated to be live by the beginning of 2018 was used effectively for audit/investigations entries, follow-up activities and report preparation throughout the year. Similarly system use was implemented by Internal Audit Departments of the subsidiaries and methodological integration is strengthened as a consequence. In branch audits, a web-based audit application named FAST which was developed by our Bank continues to be used. Through the application, branch audit team members can create audit records, upload work papers, enter finding and track their current statuses via online and secure web connection and they can extract audit reports automatically from the system.

Following the activities completed in 2018, the Internal Audit Department accomplished its goals by providing independent and objective assurance and consultancy services as in the previous years and contributed to the regular, systematic and disciplined evaluation and improvement of the effectiveness of corporate governance, risk management and internal control environment in order to improve and add value to the Bank's activities.

Internal Control and Compliance Department

Reporting to the Head of Internal Systems and the Audit Committee, the Internal Control and Compliance Department performed control activities for minimizing the Bank's exposure to operational, regulatory and financial risks. With the Personal Data

Risk Management

Protection and Management Unit formed in October 2018, the total number of personnel is 104.

A- Internal Control Division
The internal control system of the bank is designed and constructed in a way that assets of the bank are safeguarded, daily transactions are handled in compliance with the rules, laws and regulations and the financial reporting systems are reliable, accurate and timely achievable.

As an important part of the internal control system, the Internal Control Division is responsible for undertaking control activities among the branches, subsidiaries and head-office units of the Bank. Remote and on-site control methods are used while undertaking the second level controls. As of year-end 2018, the total staff number of Internal Control Division is 64. There are two sub-divisions within ICD and the responsibilities of these sub-units are explained as follows:

• Branch & Subsidiary Controls Sub-Division:
All branches are visited at least once a year and on-site controls are made by reviewing the control points listed in a pre-defined checklist. The most recent samples are drawn to see and evaluate the latest reflections of the changes and the operating scheme of the branch. Findings are communicated to relevant units monthly and quarterly. Moreover, findings are uploaded monthly on the Branch Finding Follow-Up application in order to be completed by the relevant branches.

The branches having relatively higher finding rates among others are re-visited for a second time in the last quarter of the year.

In addition to branch controls, specifically defined controls are performed at OSDEMs (Operation Field Support Centers) which fulfill the significant part of operational processes in branches. Moreover, the unit conducts remote controls regarding some specific products and services among other branch activities.

Similar to branch controls, all financial subsidiaries of the bank are visited and controlled throughout the year according to the checklist prepared in collaboration with subsidiary management.

Moreover, every quarter, the action plans listed in the “periodic evaluation reports” of the outsource companies are followed-up and the results are reported to the Audit Committee Office.

• Head Office, Information Technologies and Management Statement Controls Sub-Division:
Teams of controllers who are specialized in different areas of banking undertake the Head Office control points prepared with Business units considering the compliance, operational and financial risks. Within this context, functions like accounting, financial control, loans and deposits, banking operations, treasury, cash management and credit card businesses are mainly controlled as a second level defense mechanism.

Within the context of remote controls, some specific cases are being monitored daily, weekly or monthly via data derived from the system.

In addition to these, in order to achieve full compliance to the changing rules and regulations, the announcements made by the Compliance Division are followed-up through business units to identify whether necessary actions are taken or not.

With respect to Information Technologies (IT); logical access rights to systems and physical access rights to Head Office and data center locations are reviewed, effectiveness of software development process is evaluated, and controls on data and system security are tested. Moreover, many periodic reviews are made related to IT general controls.

Apart from these, the division prepares the Management Statement report pursuant to the relevant regulations. The methodology of this work is similar with the external auditors’ methodology and the scope includes both Business and IT processes. The results are submitted to the External Auditor after the report is approved and signed by the Board of Directors.

B- Compliance Division
The Compliance Division determines and manages the risks related to financial losses as a result of the Bank’s loss of reputation caused by non-compliance with the laws, regulations, Bank’s processes and instructions. As of the year-end 2018, 11 personnel are employed in the Compliance Division.

The Compliance Division closely follows regulatory changes and ensures that the Bank’s practices are updated accordingly by providing guidance and making announcements with regard to such regulatory changes. Compliance responds to the questions posed by the branches and Head Office units related to regulatory issues, and plays an active role by providing opinions and recommendations in the process of developing banking products to be offered to the customers.
The Compliance Division also provides guidance to the financial subsidiaries of the Bank regarding their own regulatory compliance engagements. Furthermore, the Compliance Division consults with regulatory and supervisory bodies, and works to establish social and environmental standards in the loan granting processes.

Within the resolution process of the Board of Directors to launch new products and services, the opinions and evaluations of compliance are required in terms of Compliance with applicable regulations. The activities of Compliance in 2018 were performed within this broad area of responsibility.

Two units perform Compliance activities as stated below:

• Banking Regulations Unit:
The Unit issues circulars and announcements on new regulations and laws concerning the banking sector. The Unit approves non-standard text of letters of guarantees, counter guarantees, standby letters of commitment and reference letters. The Unit provides written and verbal consultancy to branches and head

office departments. The Manager of the Unit represents the bank as a member in the Foreign Exchange Regulations Working Group, established by the Banks Association of Turkey in order to analyze and provide solutions to any kind of sectorial problems related to foreign trade regulations. In addition; the Manager of the Unit is a member of the ICC Guarantees Task Force which works on international guarantees.

• **Regulatory Compliance Unit:**
The Unit reviews and approves new products and campaigns, adverts and advertising materials launched by related departments in accordance with related regulations in effect. Customer complaints received through regulatory authorities are reviewed and response letters are approved, and if necessary related departments are advised to take appropriate actions. This Unit also makes announcements to bank's relevant units about regulatory issues, including capital markets legislation, as well as to financial subsidiaries. Furthermore, regular monitoring activities are performed by the said unit within the scope of Capital Markets regulations with regard to insider trading and market manipulation. The Unit also states opinion on the outsource services that the Bank acquires if these services are "support services" or not.

C- Anti-Money Laundering (AML) Division:
AML Division is responsible for taking necessary actions, making assessments and implementing the systems in order to prevent money laundering as required by the local and international regulations. This Division also follows up amendments of local and international regulations within framework and informs employees regarding amendments on the AML/CFT (Anti Money Laundering and Combating the Financing of Terrorism) and sanctions issues. In addition, AML Division takes necessary measures to implement new regulations, develops new systems to comply with local and international regulations on AML issues, performs monitoring activities, conducts face-to-face trainings and e-learning activities and reports suspicious transactions to Financial Crimes Investigation Board (MASAK). As of the end of 2018, 26 people are employed in the AML Division.

D- Personal Data Protection and Management Unit:
The unit is responsible for ensuring that all activities and processes are in compliance with the Law on Protection of Personal Data No. 6698 and secondary regulations. Newly established Personal Data Protection and Management Unit have 2 personnel as at the end of 2018.

Risk Management
Risk Management is responsible for monitoring and managing all potential risks for the Bank in a centralized and efficiently coordinated manner. The primary goal of Risk Management is to provide business lines appropriate capital allocation (economic capital) for risks they are exposed to and increase value-added by maximizing risk adjusted return on capital.

Organizational Structure
Risk management governance at the Bank starts with the Board of Directors. The Board's Risk Committee, Asset/Liability Committee (ALCO), Corporate and Retail Credit Policy Committees (CPC), Operational Risk Management Committee (ORMC), Reputational Risk Management Committee (RRMC), Data Security Committee and the Risk Management Department are important bodies of the risk management structure at QNB Finansbank.

The Board of Directors is responsible for determining the general risk policy and the risk appetite of the Bank. The Risk Committee defines risk policies and strategies, reviews all types of risks the Bank is exposed to in its monthly meetings, monitors the implementation of risk management strategies, and brings important risk issues to the attention of the Board. The ALCO, meeting monthly, monitors and manages the structural asset liability mismatch of the Bank. It also monitors and controls liquidity risk and foreign currency exchange risk.

The CPC meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies related to credit risk management processes, such as loan approval, limit setting, rating, monitoring and problem management. The ORMC, also meeting quarterly, reviews the operational risk issues of the Bank and defines the necessary actions to be taken to minimize these risks. Reputational Risk Management Committee (RRMC), is established in order to define, evaluate and monitor the reputational risk subjected by QNB Finansbank and to ensure that required actions are taken for prevention of such risks.

QNB Finansbank Risk Management Department works independently from executive management and reports to the Board of Directors through the Head of Internal Systems and Audit Committee. Market Risk, Credit Risk and Capital Management, and Operational Risk Management Units are responsible for identification, monitoring and managing of all related risks. The Model Validation Unit is responsible for validation of risk measurement and credit rating/scoring models as well as assessment of performances.

Market Risk Management
Market Risk arises due to the positions in the trading book, including trading securities, open currency position and all derivatives excluding transactions done for hedging purposes, taken by the Bank with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices or interest rate variations.

Market risk stems from the uncertainty concerning changes in market prices and rates (including interest rates, equity and bond prices and foreign exchange rates), and their levels of volatility. QNB Finansbank seeks to identify, estimate, monitor and manage these risks effectively through a framework of principles, measurement processes and a valid set of limits that apply to all of QNB Finansbank's transactions.

Risk Management

A set of market risk limits are defined, based on Value at Risk (VaR), nominal position, present value basis point and option greeks, in order to manage market risk efficiently and to keep market risk within desired limits. In addition to these limits, the Bank defines warning levels for certain limit types, to allow a process of review, analysis, and consultation in order to take preventive actions, prevent limit breaches, and limit possible losses. The limits are monitored on a daily basis by the Risk Management Department. VaR results are supported by regular stress testing and scenario analyses.

QNB Finansbank calculates the regulatory capital requirement for market risk using the standardized method within the framework of BRSA guidelines on a monthly basis. The methodology used for the calculation of capital requirements for general market risk and specific risk is determined by the BRSA. In addition, parallel to best global practices, VaR is measured daily. VaR, which is a measure of the maximum potential loss on the trading portfolio, is calculated using the historical simulation method with a 99%-confidence level and one-day holding period.

While the VaR approach provides a forecast for possible losses in the last one-year market conditions, it cannot predict contingent losses under extreme conditions. Hence, the VaR approach is complemented by stress testing in order to incorporate possible extreme market movements. Stress tests simulate the impacts of crises, extreme market conditions and major changes in correlations and volatilities.

The Bank uses back testing to verify the predictive power of the value-at-risk calculations. In back testing, theoretical gains/losses calculated by VAR on positions at the close of each business day is compared with the actual gains/losses arising on these positions on the next business day. The assumption of the VaR model is reviewed and revised if such a need occurs as a result of the back testing procedure.

Interest Rate Risk

The Bank is exposed to structural interest rate risk resulting from differences in the timing of rate changes and the timing of cash flows that occur in the pricing and maturity of a bank's assets and liabilities. The Bank defines Policy for the Management of Interest Rate Risk of Banking Book (IRRBB). According to the policy, interest rate risk is calculated for the banking book, which includes all portfolios excluding the trading book.

Even though the Bank is exposed to structural interest rate risk on its balance sheet due to the nature of its existing activities, the policy ensures that all positions are monitored effectively and the risk stays within the pre-defined limits.

The Asset Liability Committee (ALCO) aims to protect the economic value of equity while sustaining a stable earnings profile. Duration/GAP analyses, which rely on calculations of net discounted future cash flows of interest rate sensitive balance sheet items, are conducted to manage this risk. Moreover, the Bank runs net economic value sensitivity scenarios with changes in interest rates and interest rate margins, to calculate their impact on net economic value.

The Bank utilized scenario analysis in order to evaluate the impact of interest rate change on net economic value. In addition to the Basel standard interest rate shock scenario, the 2001 crisis, May 2004 and June 2006, 2008 scenarios and June-December 2013 volatility are also simulated.

Liquidity Risk

Liquidity risk is defined as the current or prospective risk to earnings and capital arising from the Bank's inability to meet its liabilities -because of its balance sheet structure or market movements- when they are due. QNB Finansbank aims to control its 'cash and available funding sources/deposits' ratio within limits. In addition to early warning indicators, survival horizon under different stress levels and actions planned under liquidity crises are defined in the Bank's "Liquidity Contingency Plan".

Within the scope of the Basel III accord, the "short-term liquidity coverage ratio" and the "net stable funding ratio," to measure long-term liquidity, are calculated. Liquidity coverage ratio and net stable funding ratio are monitored on a daily and monthly basis, respectively.

Credit Risk Analytics, Strategy and Capital Management

Credit risk is defined as the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the institution or otherwise fail to perform as agreed. The aim of credit risk management is to maximize the Bank's risk adjusted rate of return by maintaining the credit risk exposure within acceptable limits defined by the risk strategy document.

Credit Risk Management is embedded into the end-to-end credit processes of the Bank. While the underwriting units are responsible for day-to-day management of the credit risk, The Board of Directors controls the complete lending process by approving the lending criteria, credit risk policies and delegating authorities depending on the type of the product through Credit Policy Committees. The responsibility of the Credit Risk Analytics, Strategy and Capital Management Unit is the establishment of effective and efficient internal policy, procedure and methodologies for definition, quantification, measurement, control and reporting of the credit risks. Management is embedded into the end-to-end credit processes of the Bank. While the underwriting units are responsible for day-to-day management of the credit risk, The Board of Directors controls the complete lending process by approving the lending criteria, credit risk policies and delegating authorities depending on the type of the product through Credit Policy Committees. The responsibility of the Credit Risk Analytics, Strategy and Capital Management Unit is the establishment of effective and efficient internal policy, procedure and methodologies for definition, quantification, measurement, control and reporting of the credit risks.

The Credit Risk Analytics, Strategy and Capital Management Unit performs the internal and external reporting of credit risk in an appropriate way for different audiences. The Bank's Board Risk Committee monitors a comprehensive list of credit risk metrics and the risk-based performance measures of the credit portfolios on a monthly basis. In case of any mismatch between the risk profile and the risk appetite of the Bank, the necessary measures are taken immediately to make sure that the portfolio credit quality of the Bank complies with the defined risk appetite.

The Credit Risk Analytics, Strategy and Capital Management Unit is also responsible for the capital management process, which includes compliance with the regulatory capital requirements and the establishment of the Bank's policies, processes, methods and systems relating to the Internal Capital Adequacy Assessment Process (ICAAP). This process involves calculation, projection and analysis of legal and economic capital requirements necessitated by yearly and long-term business plans of the Bank.

The Bank has traditionally put great emphasis on the strength of its capital base to maintain investor, creditor and market confidence and to sustain future business development. In line with this point of view, the ICAAP framework is designed to ensure that the Bank has sufficient capital resources to meet the regulatory capital requirements, and that it has available capital in line with its own risk appetite and internal guidelines.

In addition, the unit develops the models to be used for calculating the expected loan reserves within the scope of TFRS 9, calculates and reports the reserves to be allocated for expected loan loss.

Operational Risk and Business Continuity Management

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The Operational Risk and Business Continuity Management Unit is responsible for identifying, measuring, monitoring and managing all risks under the scope of operational risk as well as Business Continuity Management.

Activity-process based operational risks are identified through Risk Control Self-Assessment and classified by cause, event and effect categories as proposed by Basel II and actions are taken for severe risks. The Operational loss data collection process, which began in January 2005, continues. While loss data is accumulated to provide meaningful statistical data, business processes, where improvements are required, are defined based on the results and all necessary actions for improvement are taken. Key Risk Indicators are defined and monitored regularly for severe risks. A robust operational risk management process and methodology is implemented.

The Bank has also prepared and implemented a Business Continuity Management Plan, in order to minimize losses due to business disruption. In addition, the Bank performs the comprehensive annual test of the Disaster Recovery Center with the participation of business units and the IT Department.

Model Validation

QNB Finansbank's Model Validation Unit is responsible for the validation of the risk models before they are implemented on the Bank's scale. The validity of the models regarding credit risk, market risk, IFRS 9 and ICAAP are assessed by the Model Validation Unit through qualitative and quantitative tests in terms of data quality, methodology, performance, and the compatibility with legal requirements and best practices.

Once the above-mentioned models are implemented, their performances under changing macroeconomic conditions, Bank's portfolio and risk appetite are monitored and reported on an ongoing basis via performance and stability tests.

Audit Committee Office

Established in 2011, the Audit Committee Office provides the services required for the effective working of the Committee. The Office is responsible for reviewing and presenting to the Committee members reports concerning the Committee, monitoring Committee meetings, archiving all documents regarding work carried out, coordination and follow-up of the support service activities, obtaining resource adequacy and independence statements from Independent Audit and Valuation companies and independence statements from the Bank senior management regarding these companies, following up the implementation of the Committee decisions, reporting the Committee activities to the Board of Directors, and performing other duties assigned by the Committee.

Related Party Transactions

Regardless of the nature of transactions, relations with companies in the risk group of and controlled by the Bank, are conducted in the scope of a bank-client relationship and in compliance with the Banking Law and prevailing market conditions.

Type, amount and rate of transactions to total transactions as well as the structure, amount and rate of main items, pricing policy and other terms in the transactions with the risk group companies are set on an arms-length basis and based on prevailing market conditions. As of December 31, 2018, cash loans granted to risk group composed 0.6% of the Bank's total loans, deposits obtained from risk group composed 0.8% of the Bank's total deposits.

Transactions involving the purchase and sale of real-estate and other assets and services, agency contracts, leasing contracts, transfer of data obtained from research and development activities, license contracts, financing (including loans and cash or in-kind capital contributions), guarantees and collaterals, management contracts, and the like are underwritten between the Bank and Finansleasing (Finans Finansal Kiralama A.Ş.). Net leasing payables incurred from these contracts amounted to TL 24.6 million as of December 31, 2018.

The Bank entered into a contract with IBTech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. for research, development, and consultancy services.

The Bank receives cash transfer services from its 33.3% subsidiary Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.

The Bank provides agency services to Cigna Finans Pension (Cigna Finans Emeklilik ve Hayat A.Ş.), which is a joint venture of the Bank with a 49% stake.

Information on Outsourced Service Groups and the Institutions Supplying Outsourced Services

Support services were procured within the scope of Regulation on Banks' Procurement of Support Services in 2018 under the following service groups.

Service Groups	Supplier
Archive Service	Hobim Digital Elektronik Hizmetler A.Ş.
	Iron Mountain Arşivleme Hizmetleri A.Ş.
IT Services	Acerpro Bilişim Teknolojileri A.Ş.
	Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.
	BGA Bilgi Güvenliği A.Ş.
	C/S Enformasyon Teknolojileri Ltd. Şti.
	eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. (Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş. is the subcontractor.)
	eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. (e-ledger)
	Etcbase Yazılım ve Bil. Teknolojileri Anonim Şirketi
	IBTech Uluslararası Bilişim ve İletişim Tekn. Ar-Ge Danışmanlık Destek San. ve Tic. A.Ş.
	Kartek Kart ve Bilişim Teknolojileri A.Ş.
	Matriks Bilgi Dağıtım Hizmetleri A.Ş.
	Netaş Bilişim Teknolojileri A.Ş.
	Uzman Bilişim Danışmanlık A.Ş.
	Vega Bilgisayar Hizmetleri Ltd. Şti.
Cheque Printing Service	MTM Holografi Güvenlikli Basım ve Bilişim Teknolojileri San. ve Tic. A.Ş.
Security Service	MGS Merkezi Güvenlik Sistemleri San. Tic. A.Ş.
	Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş.
Mortgage Service	Fu Gayrimenkul Yatırım Danışmanlık A.Ş.
Card Printing	Austria Card Turkey Kart Operasyonları A.Ş.
	E-Kart Elektronik Kart Sistemleri San. ve T.A.Ş.
	Plastik Kart Akıllı Kart İletişim Sistemleri San. ve Tic. A.Ş.
Courier	Aktif İleti ve Kurye Hiz. A.Ş.
	Kurye Net Motorlu Kuryecilik ve Dağıtım Hiz. A.Ş.
	Posta ve Telgraf Teşkilatı A.Ş. (PTT)
Cash and Valuables Transfer	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.
	Brinks Güvenlik Hizmetleri A.Ş.
Marketing, Sales, Operational Support	Atos Müşteri Hizmetleri A.Ş. (Atos Bilişim Danışmanlık A.Ş. is the subcontractor.)
	Bilge Adam Bilgisayar ve Eğitim Hizmetleri San. A.Ş.
	Cigna Finans Emeklilik ve Hayat A.Ş.
	Konut Kredisi Com Tr Danışmanlık A.Ş.
Marketing, Sales, Operational Support / Collection Service	CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş.
	Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş.
Personnel Selection and Temporary Personnel Employment	Adecco Hizmet ve Danışmanlık A.Ş.
POS Service	Asseco See Teknoloji A.Ş.
	Ingenico Ödeme Sistem Çözümleri A.Ş.
	Verifone Elektronik ve Danışmanlık Ltd. Şti.
Collection Service	Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş.
	RGN İletişim Hizmetleri A.Ş.

Assessment of the Bank's Financial Position, Profitability and Solvency

QNB Finansbank's above-market growth in recent years continued in 2018.

In line with the Bank's plans regarding increasing the client base by focusing on banking activities, performing loans increased to TL 95.3 billion. The total number of branches was 542 by December 31, 2018, with 540 domestic, one off-shore (one on December 31, 2017) and one airport branch (one on December 31, 2017) located at the Atatürk Airport Free Zone.

Assets
The Bank maintained its customer-oriented activities during year 2018 and continued to grow mainly in corporate and commercial loans. While total performing loans were realized as 95 billion 295 million TL with a rise of 16%, total assets increased by 25% and reached 157 billion 416 million TL. In 2018, the Bank continued to grow corporate credits (Corporate, Commercial, SME and Working Capital Loans), which strategically emphasized, and realized a 16% increase in corporate loans compared to the end of 2017.

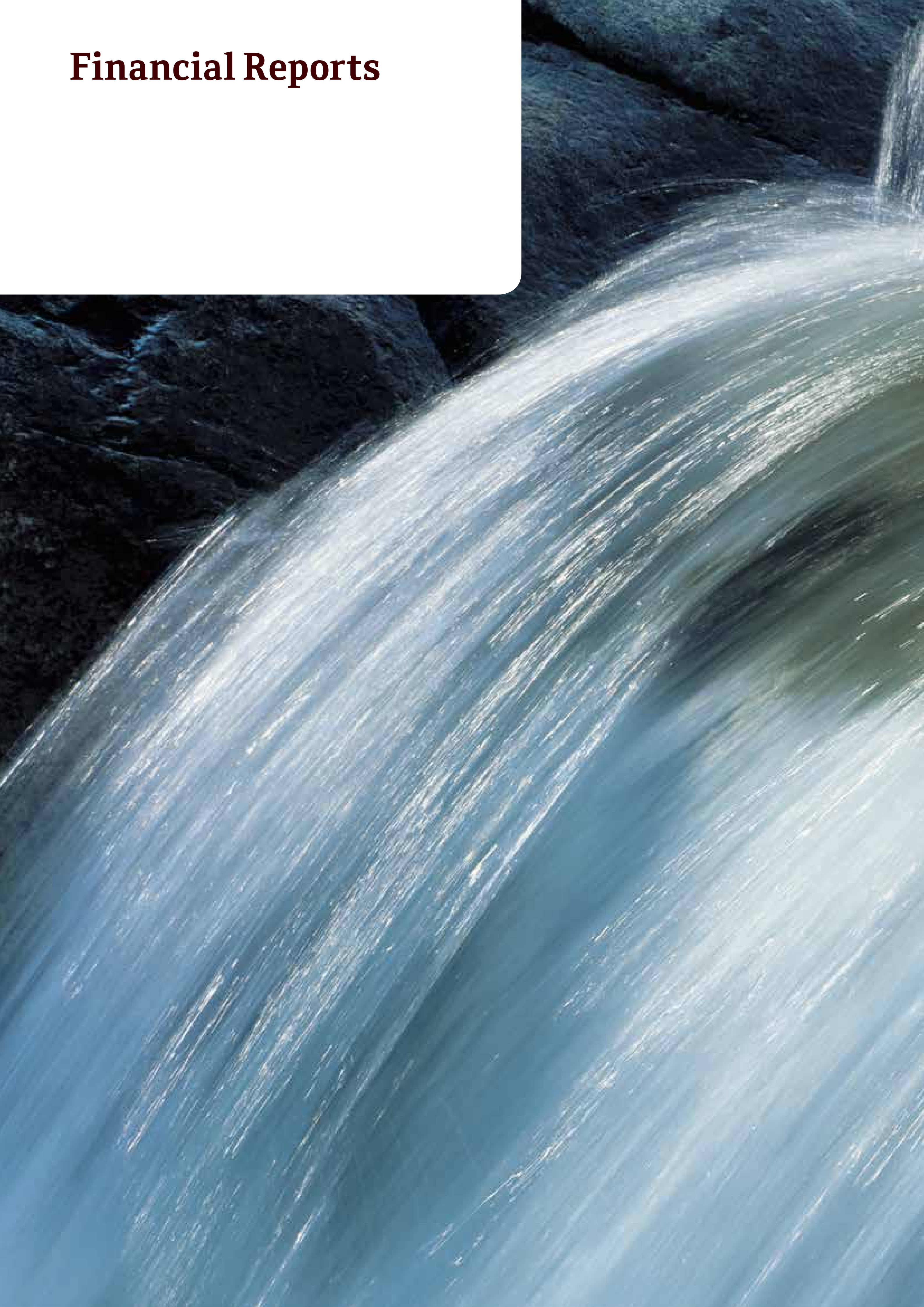
Liabilities
Total customer deposits of the Bank increased by 28% and reached TL 83 billion and 413 million and shareholders' equity increased by 20% and reached TL 14 billion and 572 million.

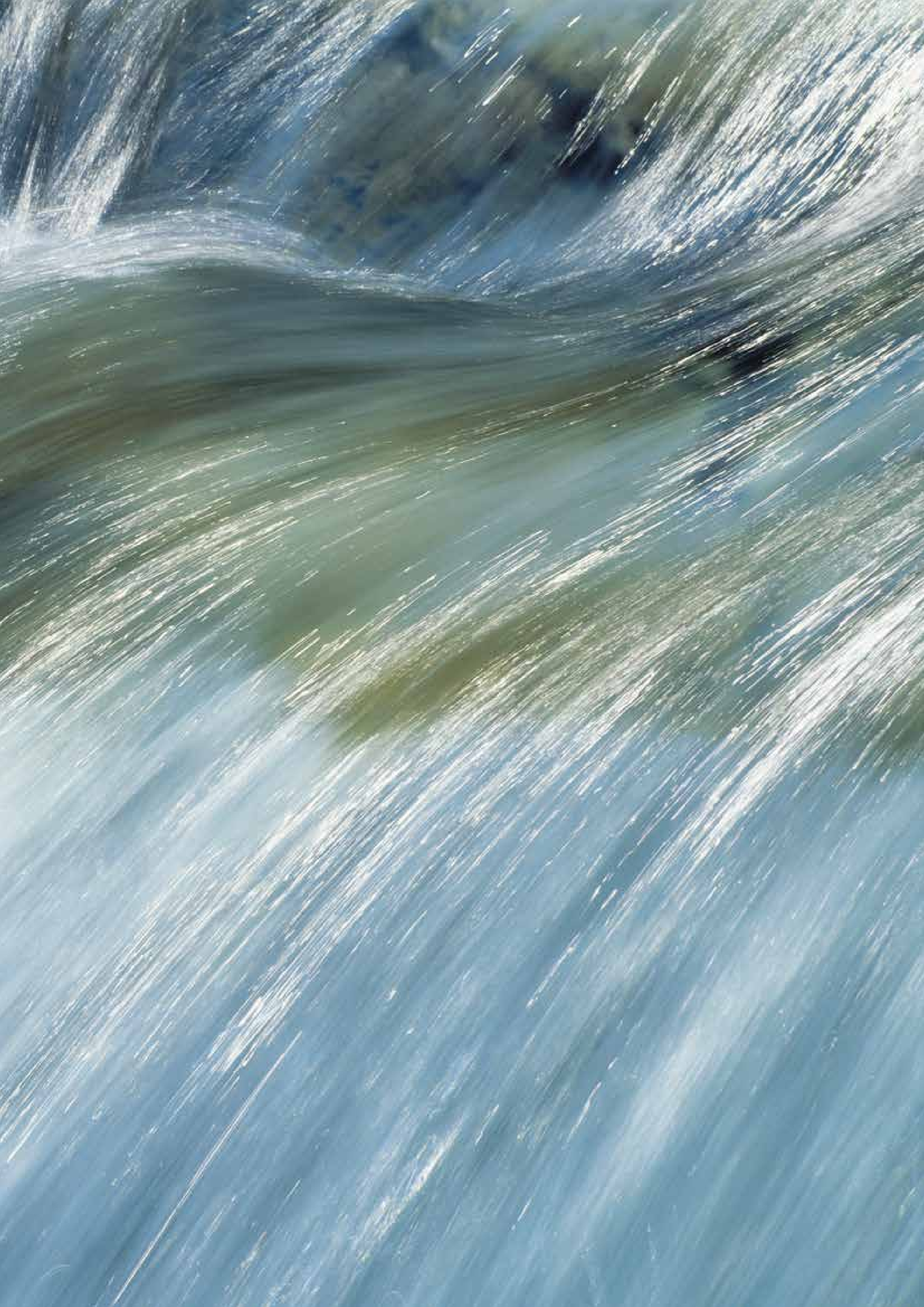
Profitability
Net interest income increased by 36% and reached TL 7 billion and 683 million and net fees and commission income amounts has increased by 27% as 2 billion and 140 million. Profit before tax of the Bank amounts to TL 3 billion 59 million and the net profit for the period is TL 2 billion 410 million.

Solvency
Due to its strong capital structure and high shareholders' equity profitability, QNB Finansbank has a sound financial structure.

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

Financial Reports





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Güney Bağımsız Denetim ve
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INDEPENDENT AUDITOR'S REPORT

To the General Assembly of QNB Finansbank Anonim Şirketi:

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of QNB Finansbank A.Ş (the Bank), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the unconsolidated financial position of QNB Finansbank A.Ş. as at December 31, 2018 and financial performance and unconsolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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<table>
<tr><th>Key Audit Matter</th><th>How the matter is addressed in our audit</th></tr>
<tr><td>Transition impact of TFRS 9 "Financial Instruments" Standard and recognition of impairment on financial assets and related significant disclosures</td><td></td></tr>
<tr><td>As presented in Section 3 disclosure XXVI, as of 1 January 2018, the Bank adopted the TFRS 9 ''Financial Instruments'' standard began to recognize expected credit losses of financial assets in accordance with TFRS 9. We considered the transition to TFRS 9 and impairment of financial assets as a key audit matter since:
- Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements.
- TFRS 9 transition has an effect on Bank's equity.
- There are complex and comprehensive requirements of TFRS 9.
- The classification of the financial assets is based on the Bank's business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Bank uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments.
- Policies implemented by the Bank management include compliance risk to the regulations and other practices.
- New or re-structured processes of TFRS 9 are advanced and complex.
- Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive.
- Disclosure requirements of TFRS 9 are comprehensive and complex.</td><td>Our audit procedures included among others include:
- Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Bank's past experience, local and global practices.
- Reviewing and testing of new or re-structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists.
- Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices.
- Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Bank's Business model.
- Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and bank's past performance. Evaluating the alignment of those forward looking parameters to Bank's internal processes where applicable.
- Assessing the completeness and the accuracy of the data used for expected credit loss calculation.
- Testing the mathematical accuracy of expected credit loss calculation on sample basis.
- Evaluating the judgments and estimates used for the individually assessed financial assets.
- Evaluating the accuracy and the necessity of post-model adjustments.
- Auditing of TFRS 9 disclosures.</td></tr>
</table>

Hedge Accounting	
As explained in Section 5 Note I.12 and II.8, the Bank enters into hedging transactions and applies hedge accounting in order to manage the interest rate and foreign currency rate risks. The Bank uses derivative financial instruments and other hedging relationships to hedge its financial risks such as loans and receivables, available-for-sale financial assets, deposits, securities issued and borrowings. Hedge accounting is considered to be 'key audit matter' due to the potential risks on eligibility of hedge relationship in accordance with TAS 39 'Financial Instruments: Recognition and Measurement', effectiveness of the tests, fair value calculation of financial instruments, documentation and termination of hedge relationship including the effect of termination on the carrying amount of assets.	In addition to general audit procedures our audit procedures include the re-calculation of fair values of derivative financial instruments, assessment of the financial risk components, documentation of all hedging relationships, examination of the effectiveness tests, the review of hedge accounting records, evaluating the appropriateness of the carrying amount of the asset in accordance with the relevant standards in case of a termination.
Valuation of Derivative Financial Instruments	
Foreign currency forward transactions, currency and interest rate swap transactions, money options, money futures transactions and all other derivative financial instruments are recorded at fair value on the balance sheet and their fair values are subject to continuous revaluation. Details of the related amounts are explained in Section 5 Note I.2.c and Note II.2.a The fair value of derivative financial instruments is determined by selecting the most appropriate market data and applying valuation techniques for certain products. Due to the assumptions, estimates and subjectivity used in these applications, derivative financial instruments are considered as a key audit matter by us.	In addition to our auditing procedures, include reviewing the fair valuation policies as determined by the Bank Management, checking the fair value calculations of the derivative financial instruments chosen by the sample as valuation experts, evaluating the assumptions and estimates used, operational evaluation and testing.

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Responsibilities of Management and Directors for the Financial Statements

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

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

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

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working world

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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, 2018 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

4 February 2019
İstanbul, Türkiye

THE UNCONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.

FOR THE YEAR ENDED DECEMBER 31, 2018

The Bank's;

Address of the head office	:	Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL
Phone number	:	(0 212) 318 50 00
Facsimile number	:	(0 212) 318 56 48
Web page	:	www.qnbfinansbank.com
E-mail address	:	investor.relations@qnbfinansbank.com

The unconsolidated financial report for the year ended December 31, 2018, designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections below:

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

The unconsolidated financial statements and related disclosures and footnotes for the year ended December 31, 2018, are prepared in accordance with the Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying unconsolidated financial statements are presented in **thousands of Turkish Lira (TL).**

Ömer A. Aras
Chairman of
the Board of Directors

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

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

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

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

Temel Güzeloğlu
General Manager
and Member of the
Board of Directors

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

Ercan Sakarya
Director of Financial, Statutory
Reporting and
Treasury Control

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

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

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GENERAL INFORMATION

SECTION TWO
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SECTION THREE
ACCOUNTING POLICIES

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

SECTION FIVE
EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

SECTION SIX

SECTION SEVEN
Independent Audit Report

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

99,88% of shares of QNB Finansbank A.Ş. are controlled by Qatar National Bank as of December 31, 2018 and remaining 0,12% of related shares are public shares.

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

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

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

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	Phd
Sinan Şahinbaş	Deputy Chairman and Executive Member	April 16, 2010	Masters
Ali Teoman Kerman	Board Member and Chairman of the Audit Committee	April 16, 2013	Masters
Ramzi Talat A. Mari	Board Member and Audit Committee Member	June 16, 2016	Masters
Fatma Abdulla S.S. Al-Suwaidi	Board Member	June 16, 2016	Masters
Durmuş Ali Kuzu	Board Member and Audit Committee Member	August 25, 2016	Phd
Temel Güzeloğlu	Board Member and General Manager	April 16, 2010	Masters
Abdulla Mubarak N.Al-khalifa	Board Member	June 16, 2016	Graduate
Assistant Prof. Osman Reha Yolalan	Board Member	June 16, 2016	Phd
Ali Rashid A.S.Al-Mohannadi	Board Member	June 16, 2016	Graduate
Noor Mohd J. A. Al-Naimi	Board Member and Audit Committee Member	June 22, 2017	Graduate
Adnan Menderes Yayla	Executive Vice President	May 20, 2008	Masters
Murat Şakar	Executive Vice President	August 1, 2008	Graduate
Köksal Çoban	Executive Vice President	August 19, 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	October 8, 2010	Phd
Erkin Aydın	Executive Vice President	May 16, 2011	Masters
Ömür Tan	Executive Vice President	October 28, 2011	Masters
Halim Ersun Bilgici	Executive Vice President	March 15, 2013	Masters
Enis Kurtoğlu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Engin Turhan	Executive Vice President	June 14, 2016	Masters
Cumhur Türkmen	Executive Vice President	June 11, 2018	Graduate
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 Bank.

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

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

V. Explanations on the Bank's services and activities

The Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets and securities operations and credit card operations. In addition, the Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of December 31, 2018, the Bank operates through 540 domestic (December 31, 2017 – 578), 1 abroad (December 31, 2017 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2017 – 1) branches. As of December 31, 2018, the Bank has 12.276 employees (December 31, 2017 - 12.007 employees).

VI. A short explanation on the differences between the Regulation on Preparation of Consolidated Financial Statements of Banks and the consolidation procedures required by Turkish Accounting Standards and about institutions that are subject to full consolidation, proportional consolidation, by way of deduction from capital or those that are subject to none:

The Bank's joint venture Cigna Finans Emeklilik and Hayat Anonim Şirketi is consolidated using equity method as per the Regulation on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards.

Ibtech A.Ş and E-finans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. included in investments in associates and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. included in entities under common control are not consolidated to consolidated financial statements as per the Regulation on Preparation of Consolidated Financial Statements of Banks since they are nonfinancial investments. Bankalararası Kart Merkezi included in subsidiaries is carried at cost and not consolidated since the Bank does not have material control and presence over it.

All other subsidiaries are fully consolidated.

VII. The existing or potential, actual or legal obstacles to immediate transfer of shareholders' equity between the Bank and its subsidiaries and repayment of debts:

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

I. Balance sheet (statement of financial position)
II. Statement of off-balance sheet commitments and contingencies
III. Statement of profit or loss
IV. Statement of profit or loss and other comprehensive income
V. Statement of changes in shareholders' equity
VI. Statement of cash flows
VII. Statement of unconsolidated profit appropriation

QNB FİNANSBANK ANONİM ŞİRKETİ

QNB FİNANSBANK ANONİM ŞİRKETİ BALANCE SHEET AS OF DECEMBER 31, 2018 (STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET – ASSETS

				Audited 31.12.2018	
		Section 5 Part I	TL	FC	Total
I.	**FINANCIAL ASSETS (NET)**		**26.245.952**	**27.373.211**	**53.619.163**
1.1	**Cash and Cash Equivalents**		**2.125.340**	**17.720.257**	**19.845.597**
1.1.1	Cash and Balances with Central Bank	(1)	1.822.717	16.688.725	18.511.442
1.1.2	Banks	(3)	200.553	1.031.532	1.232.085
1.1.3	Money Markets	(4)	102.070	-	102.070
1.2	**Financial Assets at Fair Value Through Profit or Loss**	**(2)**	**25.639**	**2.811**	**28.450**
1.2.1	Government Debt Securities		18.319	2.811	21.130
1.2.2	Equity Securities		7.320	-	7.320
1.2.3	Other Financial Assets		-	-	-
1.3	**Financial Assets at Fair Value Through Other Comprehensive Income**	**(5)**	**4.545.637**	**3.898.418**	**8.444.055**
1.3.1	Government Debt Securities		4.540.725	3.763.899	8.304.624
1.3.2	Equity Securities		4.912	113.259	118.171
1.3.3	Other Financial Assets		-	21.260	21.260
1.4	**Financial Assets Measured at Amortized Cost**	**(7)**	**7.916.505**	**5.015.688**	**12.932.193**
1.4.1	Government Debt Securities		7.916.505	4.283.527	12.200.032
1.4.2	Other Financial Assets		-	732.161	732.161
1.5	**Derivative Financial Assets**	**(12)**	**11.709.503**	**736.037**	**12.445.540**
1.5.1	Derivative Financial Assets at Fair Value Through Profit or Loss		9.006.638	624.857	9.631.495
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		2.702.865	111.180	2.814.045
1.6	**Non-Performing Financial Assets**		**-**	**-**	**-**
1.7	**Expected Loss Provision (-)**		**76.672**	**-**	**76.672**
II.	**LOANS (NET)**	**(6)**	**64.915.652**	**29.102.370**	**94.018.022**
2.1	**Loans**		**66.192.506**	**29.102.370**	**95.294.876**
2.1.1	Measured at Amortized Cost		66.192.506	28.992.338	95.184.844
2.1.2	Fair Value Through Profit or Loss		-	110.032	110.032
2.1.3	Fair Value Through Other Comprehensive Income		-	-	-
2.2	**Lease Receivables**	**(11)**	**-**	**-**	**-**
2.2.1	Financial Lease Receivables		-	-	-
2.2.2	Operating Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		-	-	-
2.3	**Factoring Receivables**		**-**	**-**	**-**
2.3.1	Measured at Amortized Cost		-	-	-
2.3.2	Fair Value Through Profit or Loss		-	-	-
2.3.3	Fair Value Through Other Comprehensive Income		-	-	-
2.4	**Non-Performing Loans**		**6.155.252**	**-**	**6.155.252**
2.5	**Expected Credit Loss (-)**		**7.432.106**	**-**	**7.432.106**
2.5.1	12 Month Expected Credit Losses (Stage I)		1.062.828	-	1.062.828
2.5.2	Significant Increase in Credit Risk (Stage II)		1.623.142	-	1.623.142
2.5.3	Credit-Impaired Losses (Stage III / Special Provision)		4.746.136	-	4.746.136
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)**	**(17)**	**-**	**-**	**-**
3.1	Held for Sale Purpose		-	-	-
3.2	Related to Discontinued Operations		-	-	-
IV.	**EQUITY INVESTMENTS**		**1.298.703**	**-**	**1.298.703**
4.1	**Investments in Associates (Net)**	**(8)**	**5.982**	**-**	**5.982**
4.1.1	Associates Valued Based on Equity Method		-	-	-
4.1.2	Unconsolidated Associates		5.982	-	5.982
4.2	**Subsidiaries (Net)**	**(9)**	**1.141.248**	**-**	**1.141.248**
4.2.1	Unconsolidated Financial Subsidiaries		1.103.202	-	1.103.202
4.2.2	Unconsolidated Non-Financial Subsidiaries		38.046	-	38.046
4.3	**Joint Ventures (Net)**	**(10)**	**151.473**	**-**	**151.473**
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2	Unconsolidated Joint Ventures		151.473	-	151.473
V.	**PROPERTY AND EQUIPMENT (NET)**	**(13)**	**2.861.861**	**61**	**2.861.922**
VI.	**INTANGIBLE ASSETS (NET)**	**(14)**	**397.179**	**-**	**397.179**
6.1	Goodwill		-	-	-
6.2	Other		397.179	-	397.179
VII.	**INVESTMENT PROPERTY (NET)**	**(15)**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**	**(16)**	**-**	**-**	**-**
IX.	**DEFERRED TAX ASSET**	**(16)**	**522.283**	**-**	**522.283**
X.	**OTHER ASSETS**	**(18)**	**2.498.333**	**2.200.130**	**4.698.463**
	TOTAL ASSETS		**98.739.963**	**58.675.772**	**157.415.735**

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

QNB FİNANSBANK ANONİM ŞİRKETİ

QNB FİNANSBANK ANONİM ŞİRKETİ BALANCE SHEET AS OF DECEMBER 31, 2017 (STATEMENT OF FINANCIAL POSITION)

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

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I. BALANCE SHEET – ASSETS

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

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QNB FİNANSBANK ANONİM ŞİRKETİ

QNB FİNANSBANK ANONİM ŞİRKETİ BALANCE SHEET AS OF DECEMBER 31, 2018 (STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET – LIABILITIES AND EQUITY

			Audited 31.12.2018		
		Section 5 Part II	TL	FC	Total
I.	**DEPOSITS**	**(1)**	**44.788.365**	**42.302.088**	**87.090.453**
II.	**FUNDS BORROWED**	**(3)**	**138.385**	**18.027.864**	**18.166.249**
III.	**MONEY MARKETS**	**(4)**	**92.273**	**4.622.546**	**4.714.819**
IV.	**SECURITIES ISSUED (NET)**	**(5)**	**2.206.779**	**6.697.676**	**8.904.455**
4.1	Bills		2.206.779	388.754	2.595.533
4.2	Asset Backed Securities		-	-	-
4.3	Bonds		-	6.308.922	6.308.922
V.	**FUNDS**		**-**	**-**	**-**
5.1	Borrower Funds		-	-	-
5.2	Other		-	-	-
VI.	**FİNANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		**-**	**-**	**-**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**5.610.140**	**728.265**	**6.338.405**
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2)	5.450.465	651.892	6.102.357
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	159.675	76.373	236.048
VIII.	**FACTORING LIABILITES**		**-**	**-**	**-**
IX.	**LEASE LIABILITIES (NET)**	**(7)**	**18.629**	**5.994**	**24.623**
9.1	Financial Lease		30.010	6.435	36.445
9.2	Operating Lease		-	-	-
9.3	Other		-	-	-
9.4	Deferred Financial Lease Expenses (-)		11.381	441	11.822
X.	**PROVISIONS**	**(9)**	**789.818**	**-**	**789.818**
10.1	Restructuring Provisions		-	-	-
10.2	Reserve for Employee Benefits		426.856	-	426.856
10.3	Insurance Technical Provisions (Net)		-	-	-
10.4	Other Provisions		362.962	-	362.962
XI.	**CURRENT TAX LIABILITY**	**(10)**	**149.662**	**-**	**149.662**
XII.	**DEFERRED TAX LIABILITY**		**-**	**-**	**-**
XIII.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (NET)**	**(11)**	**-**	**-**	**-**
13.1	Held for Sale Purpose		-	-	-
13.2	Related to Discontinued Operations		-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**	**(12)**	**-**	**4.816.098**	**4.816.098**
14.1	Loans		-	4.816.098	4.816.098
14.2	Other Debt Instruments		-	-	-
XV.	**OTHER LIABILITIES**		**5.133.337**	**6.715.767**	**11.849.104**
XVI.	**SHAREHOLDERS' EQUITY**		**15.057.492**	**(485.443)**	**14.572.049**
16.1	Paid-in capital	(13)	3.350.000	-	3.350.000
16.2	Capital Reserves		714	-	714
16.2.1	Share Premium	(14)	714	-	714
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Other Capital Reserves		-	-	-
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		700.576	44.291	744.867
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		429.168	(529.734)	(100.566)
16.5	Profit Reserves		8.167.205	-	8.167.205
16.5.1	Legal Reserves		584.870	-	584.870
16.5.2	Status Reserves		-	-	-
16.5.3	Extraordinary Reserves		7.582.335	-	7.582.335
16.5.4	Other Profit Reserves		-	-	-
16.6	Income or Loss		2.409.829	-	2.409.829
16.6.1	Prior Periods' Income or Loss		-	-	-
16.6.2	Current Period Income or Loss		2.409.829	-	2.409.829
16.7	Minority Shareholder		-	-	-
	TOTAL LIABILITIES		**73.984.880**	**83.430.855**	**157.415.735**

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QNB FİNANSBANK ANONİM ŞİRKETİ

QNB FİNANSBANK ANONİM ŞİRKETİ BALANCE SHEET AS OF DECEMBER 31, 2017 (STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET – LIABILITIES AND EQUITY

			Audited 31.12.2017		
		Section5 Part II	TL	FC	Total
I.	**DEPOSITS**	**(1)**	**34.622.366**	**33.019.129**	**67.641.495**
1.1	Deposits from risk group of the Bank		659.786	78.974	738.760
1.2	Other		33.962.580	32.940.155	66.902.735
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**(2)**	**1.871.878**	**198.892**	**2.070.770**
III.	**FUNDS BORROWED**	**(3)**	**114.947**	**16.158.820**	**16.273.767**
IV.	**MONEY MARKET BORROWINGS**		**1.858.565**	**4.631.256**	**6.489.821**
4.1	Interbank money markets takings		-	-	-
4.2	Istanbul Stock Exchange money markets takings		50.000	-	50.000
4.3	Funds provided under repurchase agreements	(4)	1.808.565	4.631.256	6.439.821
V.	**SECURITIES ISSUED (NET)**	**(5)**	**3.079.753**	**4.833.817**	**7.913.570**
5.1	Bills		2.975.932	57.156	3.033.088
5.2	Asset backed securities		-	-	-
5.3	Bonds		103.821	4.776.661	4.880.482
VI.	**FUNDS**		**-**	**-**	**-**
6.1	Borrower funds		-	-	-
6.2	Other		-	-	-
VII.	**SUNDRY CREDITORS**		**2.637.390**	**3.257.730**	**5.895.120**
VIII.	**OTHER LIABILITIES**	**(6)**	**574.219**	**277.455**	**851.674**
IX.	**FACTORING PAYABLES**		**-**	**-**	**-**
X.	**LEASE PAYABLES (NET)**	**(7)**	**47**	**6.652**	**6.699**
10.1	Financial lease payables		70	7.310	7.380
10.2	Operational lease payables		-	-	-
10.3	Others		-	-	-
10.4	Deferred financial lease expenses (-)		23	658	681
XI.	**DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES**	**(8)**	**296.819**	**232.504**	**529.323**
11.1	Fair value hedge		16.615	197.837	214.452
11.2	Cash flow hedge		280.204	34.667	314.871
11.3	Hedge of net investments in foreign subsidiaries		-	-	-
XII.	**PROVISIONS**	**(9)**	**2.060.459**	**-**	**2.060.459**
12.1	General provisions		1.396.268	-	1.396.268
12.2	Restructuring provisions		-	-	-
12.3	Reserve for employee benefits		357.044	-	357.044
12.4	Insurance technical provisions (Net)		-	-	-
12.5	Other provisions		307.147	-	307.147
XIII.	**TAX LIABILITY**	**(10)**	**458.233**	**-**	**458.233**
13.1	Current tax liability		405.169	-	405.169
13.2	Deferred tax liability		53.064	-	53.064
XIV.	**PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)**	**(11)**	**-**	**-**	**-**
14.1	Held for sale		-	-	-
14.2	Discontinued operations		-	-	-
XV.	**SUBORDINATED LOANS**	**(12)**	**-**	**3.510.837**	**3.510.837**
XVI.	**SHAREHOLDERS' EQUITY**		**12.308.551**	**(153.149)**	**12.155.402**
16.1	Paid-in capital	(13)	3.350.000	-	3.350.000
16.2	Capital reserves		481.633	(153.149)	328.484
16.2.1	Share Premium	(14)	714	-	714
16.2.2	Share cancellation profits		-	-	-
16.2.3	Securities value increase fund	(15)	335.581	(176.412)	159.169
16.2.4	Revaluation fund on tangible asset		-	-	-
16.2.5	Revaluation fund on intangible asset		-	-	-
16.2.6	Investment property revaluation differences		-	-	-
16.2.7	Bonus shares obtained from associates, subsidiaries and entities under common control (joint ventures)		2.689	-	2.689
16.2.8	Hedging funds (effective portion)		208.629	23.263	231.892
16.2.9	Accumulated valuation differences from assets held for sale and discontinued operations		-	-	-
16.2.10	Other capital reserves		(65.980)	-	(65.980)
16.3	Profit reserves		6.873.477	-	6.873.477
16.3.1	Legal reserves		504.698	-	504.698
16.3.2	Status reserves		-	-	-
16.3.3	Extraordinary reserves		6.368.779	-	6.368.779
16.3.4	Other profit reserves		-	-	-
16.4	Profit or loss		1.603.441	-	1.603.441
16.4.1	Prior years' income/ (losses)		-	-	-
16.4.2	Current period income/ (loss)		1.603.441	-	1.603.441
	TOTAL LIABILITIES AND EQUITY		**59.883.227**	**65.973.943**	**125.857.170**

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QNB FİNANSBANK ANONİM ŞİRKETİ

QNB FİNANSBANK ANONİM ŞİRKETİ STATEMENT OF OFF-BALANCE SHEET AS OF DECEMBER 31, 2018

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

				Audited 31.12.2018	
		Section 5 Part III	TL	FC	Total
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**130.113.215**	**179.084.169**	**309.197.384**
I.	**GUARANTEES**	(1), (2), (3),(4)	**8.744.817**	**14.944.429**	**23.689.246**
1.1.	Letters of guarantee		8.728.878	8.756.308	17.485.186
1.1.1.	Guarantees subject to State Tender Law		363.694	43.691	407.385
1.1.2.	Guarantees given for foreign trade operations		4.414.542	8.712.617	13.127.159
1.1.3.	Other letters of guarantee		3.950.642	-	3.950.642
1.2.	Bank loans		15.820	4.460.434	4.476.254
1.2.1.	Import letter of acceptance		15.820	4.460.434	4.476.254
1.2.2.	Other bank acceptances		-	-	-
1.3.	Letters of credit		119	1.727.687	1.727.806
1.3.1.	Documentary letters of credit		119	1.682.271	1.682.390
1.3.2.	Other letters of credit		-	45.416	45.416
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**		**63.658.753**	**3.916.979**	**67.575.732**
2.1.	Irrevocable commitments	(1)	36.609.777	2.238.221	38.847.998
2.1.1.	Forward asset purchase commitments		427.989	1.777.120	2.205.109
2.1.2.	Forward deposit purchase and sales commitments		-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-
2.1.4.	Loan granting commitments		10.851.659	526	10.852.185
2.1.5.	Securities underwriting commitments		-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Payment commitment for checks		2.181.264	-	2.181.264
2.1.8.	Tax and fund liabilities from export commitments		28.728	-	28.728
2.1.9.	Commitments for credit card expenditure limits		22.362.300	-	22.362.300
2.1.10.	Commitments for promotions related with credit cards and banking activities		29.958	-	29.958
2.1.11.	Receivables from short sale commitments		-	-	-
2.1.12.	Payables for short sale commitments		-	-	-
2.1.13.	Other irrevocable commitments		727.879	460.575	1.188.454
2.2.	Revocable commitments		27.048.976	1.678.758	28.727.734
2.2.1.	Revocable loan granting commitments		27.048.976	1.678.758	28.727.734
2.2.2.	Other revocable commitments		-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	(5), (6)	**57.709.645**	**160.222.761**	**217.932.406**
3.1	Derivative financial instruments for hedging purposes		17.909.998	48.962.094	66.872.092
3.1.1	Fair value hedge		6.922.598	19.690.796	26.613.394
3.1.2	Cash flow hedge		10.987.400	29.271.298	40.258.698
3.1.3	Hedge of net investment in foreign operations		-	-	-
3.2	Held for trading transactions		39.799.647	111.260.667	151.060.314
3.2.1	Forward foreign currency buy/sell transactions		2.517.071	4.581.723	7.098.794
3.2.1.1	Forward foreign currency transactions-buy		1.335.604	2.193.969	3.529.573
3.2.1.2	Forward foreign currency transactions-sell		1.181.467	2.387.754	3.569.221
3.2.2	Swap transactions related to foreign currency and interest rates		31.777.537	98.803.053	130.580.590
3.2.2.1	Foreign currency swap-buy		13.635.615	30.588.966	44.224.581
3.2.2.2	Foreign currency swap-sell		16.501.922	28.203.433	44.705.355
3.2.2.3	Interest rate swaps-buy		820.000	20.005.327	20.825.327
3.2.2.4	Interest rate swaps-sell		820.000	20.005.327	20.825.327
3.2.3	Foreign currency, interest rate and securities options		5.505.039	6.823.437	12.328.476
3.2.3.1	Foreign currency options-buy		2.341.029	3.789.135	6.130.164
3.2.3.2	Foreign currency options-sell		3.164.010	3.034.302	6.198.312
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		-	237.014	237.014
3.2.4.1	Foreign currency futures-buy		-	118.507	118.507
3.2.4.2	Foreign currency futures-sell		-	118.507	118.507
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		-	815.440	815.440
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**676.251.681**	**163.091.542**	**839.343.223**
IV.	**ITEMS HELD IN CUSTODY**		**7.801.964**	**4.150.268**	**11.952.232**
4.1.	Assets under management		2.048.156	-	2.048.156
4.2.	Investment securities held in custody		470.673	2.863.101	3.333.774
4.3.	Checks received for collection		3.804.427	573.547	4.377.974
4.4.	Commercial notes received for collection		1.478.708	304.711	1.783.419
4.5.	Other assets received for collection		-	-	-
4.6.	Assets received for public offering		-	-	-
4.7.	Other items under custody		-	408.909	408.909
4.8.	Custodians		-	-	-
V.	**PLEDGED ITEMS**		**406.918.248**	**96.312.753**	**503.231.001**
5.1.	Marketable securities		2.937.079	8.044.413	10.981.492
5.2.	Guarantee notes		442.693	131.866	574.559
5.3.	Commodity		66.090	-	66.090
5.4.	Warranty		-	-	-
5.5.	Properties		90.756.028	53.481.420	144.237.448
5.6.	Other pledged items		312.716.358	34.655.054	347.371.412
5.7.	Pledged items-depository		-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**261.531.469**	**62.628.521**	**324.159.990**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**806.364.896**	**342.175.711**	**1.148.540.607**

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

QNB FİNANSBANK ANONİM ŞİRKETİ

QNB FİNANSBANK ANONİM ŞİRKETİ STATEMENT OF OFF-BALANCE SHEET AS OF DECEMBER 31, 2017

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

				Audited 31.12.2017	
		Section 5 Part III	TL	FC	Total
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**133.468.990**	**133.002.912**	**266.471.902**
I.	**GUARANTEES**	(1), (2), (3),(4)	**8.839.416**	**10.475.633**	**19.315.049**
1.1.	Letters of guarantee		8.818.479	5.700.387	14.518.866
1.1.1.	Guarantees subject to State Tender Law		426.846	30.598	457.444
1.1.2.	Guarantees given for foreign trade operations		4.699.770	5.669.789	10.369.559
1.1.3.	Other letters of guarantee		3.691.863	-	3.691.863
1.2.	Bank loans		19.991	2.992.901	3.012.892
1.2.1.	Import letter of acceptance		19.991	2.992.901	3.012.892
1.2.2.	Other bank acceptances		-	-	-
1.3.	Letters of credit		946	1.782.345	1.783.291
1.3.1.	Documentary letters of credit		946	1.713.499	1.714.445
1.3.2.	Other letters of credit		-	68.846	68.846
1.4.	Prefinancing given as guarantee		-	-	-
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2.	Other endorsements		-	-	-
1.6.	Securities issue purchase guarantees		-	-	-
1.7.	Factoring guarantees		-	-	-
1.8.	Other guarantees		-	-	-
1.9.	Other collaterals		-	-	-
II.	**COMMITMENTS**		**51.243.772**	**2.408.863**	**53.652.635**
2.1.	Irrevocable commitments	(1)	31.229.725	2.408.863	33.638.588
2.1.1.	Forward asset purchase commitments		992.621	1.883.881	2.876.502
2.1.2.	Forward deposit purchase and sales commitments		-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-
2.1.4.	Loan granting commitments		9.774.194	381	9.774.575
2.1.5.	Securities underwriting commitments		-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Payment commitment for checks		2.754.045	-	2.754.045
2.1.8.	Tax and fund liabilities from export commitments		15.358	-	15.358
2.1.9.	Commitments for credit card expenditure limits		17.115.833	-	17.115.833
2.1.10.	Commitments for promotions related with credit cards and banking activities		45.880	-	45.880
2.1.11.	Receivables from short sale commitments		-	-	-
2.1.12.	Payables for short sale commitments		-	-	-
2.1.13.	Other irrevocable commitments		531.794	524.601	1.056.395
2.2.	Revocable commitments		20.014.047	-	20.014.047
2.2.1.	Revocable loan granting commitments		20.014.047	-	20.014.047
2.2.2.	Other revocable commitments		-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	(5), (6)	**73.385.802**	**120.118.416**	**193.504.218**
3.1	Derivative financial instruments for hedging purposes		21.810.180	31.752.593	53.562.773
3.1.1	Fair value hedge		4.973.074	13.303.877	18.276.951
3.1.2	Cash flow hedge		16.837.106	18.448.716	35.285.822
3.1.3	Hedge of net investment in foreign operations		-	-	-
3.2	Held for trading transactions		51.575.622	88.365.823	139.941.445
3.2.1	Forward foreign currency buy/sell transactions		4.523.196	6.139.645	10.662.841
3.2.1.1	Forward foreign currency transactions-buy		1.583.405	3.700.991	5.284.396
3.2.1.2	Forward foreign currency transactions-sell		2.939.791	2.438.654	5.378.445
3.2.2	Swap transactions related to foreign currency and interest rates		43.402.634	77.385.816	120.788.450
3.2.2.1	Foreign currency swap-buy		20.224.643	30.250.673	50.475.316
3.2.2.2	Foreign currency swap-sell		23.177.991	26.854.475	50.032.466
3.2.2.3	Interest rate swaps-buy		-	10.140.334	10.140.334
3.2.2.4	Interest rate swaps-sell		-	10.140.334	10.140.334
3.2.3	Foreign currency, interest rate and securities options		3.626.434	4.025.073	7.651.507
3.2.3.1	Foreign currency options-buy		1.485.641	2.325.582	3.811.223
3.2.3.2	Foreign currency options-sell		2.140.793	1.699.491	3.840.284
3.2.3.3	Interest rate options-buy		-	-	-
3.2.3.4	Interest rate options-sell		-	-	-
3.2.3.5	Securities options-buy		-	-	-
3.2.3.6	Securities options-sell		-	-	-
3.2.4	Foreign currency futures		23.358	186.573	209.931
3.2.4.1	Foreign currency futures-buy		23.358	81.855	105.213
3.2.4.2	Foreign currency futures-sell		-	104.718	104.718
3.2.5	Interest rate futures		-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-
3.2.6	Other		-	628.716	628.716
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**616.043.148**	**110.258.036**	**726.301.184**
IV.	**ITEMS HELD IN CUSTODY**		**10.275.742**	**1.561.318**	**11.837.060**
4.1.	Assets under management		3.057.959	-	3.057.959
4.2.	Investment securities held in custody		1.916.543	637.461	2.554.004
4.3.	Checks received for collection		4.120.187	423.509	4.543.696
4.4.	Commercial notes received for collection		1.181.053	198.922	1.379.975
4.5.	Other assets received for collection		-	-	-
4.6.	Assets received for public offering		-	-	-
4.7.	Other items under custody		-	301.426	301.426
4.8.	Custodians		-	-	-
V.	**PLEDGED ITEMS**		**369.834.726**	**64.199.119**	**434.033.845**
5.1.	Marketable securities		1.973.989	6.076.387	8.050.376
5.2.	Guarantee notes		338.396	110.531	448.927
5.3.	Commodity		58.875	-	58.875
5.4.	Warranty		-	-	-
5.5.	Properties		85.341.634	36.591.013	121.932.647
5.6.	Other pledged items		282.121.832	21.421.188	303.543.020
5.7.	Pledged items-depository		-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**235.932.680**	**44.497.599**	**280.430.279**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**749.512.138**	**243.260.948**	**992.773.086**

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

QNB FİNANSBANK ANONİM ŞİRKETİ

QNB FİNANSBANK ANONİM ŞİRKETİ STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2018 (STATEMENT OF INCOME/LOSS)

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

III. STATEMENT OF PROFIT OR LOSS

		Section 5 Part IV	Audited 01.01 - 31.12.2018
I.	**INTEREST INCOME**	**(1)**	**16.386.451**
1.1	Interest income on loans		13.388.944
1.2	Interest income on reserve deposits		200.684
1.3	Interest income on banks		201.108
1.4	Interest income on money market transactions		35.828
1.5	Interest income on securities portfolio		2.551.600
1.5.1	Financial assets measured at FVTPL		2.156
1.5.2	Financial assets measured at FVOCI		820.608
1.5.3	Financial assets measured at amortized cost		1.728.836
1.6	Financial lease income		-
1.7	Other interest income		8.287
II.	**INTEREST EXPENSE (-)**	**(2)**	**8.703.078**
2.1	Interest on deposits		6.479.053
2.2	Interest on funds borrowed		1.053.658
2.3	Interest on money market transactions		355.119
2.4	Interest on securities issued		808.179
2.5	Other interest expenses		7.069
III.	**NET INTEREST INCOME (I - II)**		**7.683.373**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**2.139.885**
4.1	Fees and commissions received		2.687.027
4.1.1	Non-cash loans		114.679
4.1.2	Others		2.572.348
4.2	Fees and commissions paid (-)		547.142
4.2.1	Non-cash loans		1.021
4.2.2	Others		546.121
V.	**PERSONNEL EXPENSES (-)**	**(7)**	**1.425.103**
VI	**DIVIDEND INCOME**	**(3)**	**52.196**
VII.	**NET TRADING INCOME/LOSSES (NET)**	**(4)**	**(1.405.760)**
7.1	Trading account income/losses		13.552
7.2	Gain/losses from derivative financial instruments		526.003
7.3	Foreign exchange gains/losses		(1.945.315)
VIII.	**OTHER OPERATING INCOME**	**(5)**	**64.077**
IX.	**TOTAL OPERATING PROFIT (III+IV+V+VI+VII+VIII)**		**7.108.668**
X.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**2.125.548**
XI.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**1.924.379**
XII.	**NET OPERATING PROFIT/LOSS (IX-X-XI)**		**3.058.741**
XIII.	**INCOME RESULTED FROM MERGERS**		**-**
XIV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**-**
XV.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**
XVI.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)**	**(8)**	**3.058.741**
XVII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	**(9)**	**(648.912)**
17.1	Current tax charge		(711.041)
17.2	Deferred tax charge (+)		1.067.006
17.3	Deferred tax credit (-)		(1.004.877)
XVIII.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)**	**(10)**	**2.409.829**
XIX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**
19.1	Income from assets held for sale		-
19.2	Income from sale of associates, subsidiaries and joint-ventures		-
19.3	Others		-
XX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**
20.1	Expenses on assets held for sale		-
20.2	Expenses on sale of associates, subsidiaries and joint-ventures		-
20.3	Others		-
XXI.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)**		**-**
XXII.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**		**-**
22.1	Current tax charge		-
22.2	Deferred tax charge (+)		-
22.3	Deferred tax credit (-)		-
XXIII.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)**		**-**
XXIV.	**NET PROFIT/LOSS (XVIII+XXIII)**	**(11)**	**2.409.829**
24.1	Profit/Loss of the bank		2.409.829
24.2	Minority Interest		-
	Earnings Per Share (TL)		0,07194

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

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

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

III. STATEMENT OF PROFIT OR LOSS

		Section 5 Part IV	Audited 01.01-31.12.2017
I.	**INTEREST INCOME**	**(1)**	**10.934.836**
1.1	Interest on loans		9.319.852
1.2	Interest received from reserve deposits		113.120
1.3	Interest received from banks		200.243
1.4	Interest received from money market placements		54.185
1.5	Interest received from marketable securities portfolio		1.241.311
1.5.1	Held-for-trading financial assets		5.344
1.5.2	Financial assets at fair value through profit and loss		1.898
1.5.3	Available-for-sale financial assets		617.790
1.5.4	Investments held-to-maturity		616.279
1.6	Finance lease income		-
1.7	Other interest income		6.125
II.	**INTEREST EXPENSE**	**(2)**	**5.283.235**
2.1	Interest on deposits		4.069.753
2.2	Interest on funds borrowed		596.917
2.3	Interest on money market borrowings		164.327
2.4	Interest on securities issued		438.658
2.5	Other interest expense		13.580
III.	**NET INTEREST INCOME (I - II)**		**5.651.601**
IV.	**NET FEES AND COMMISSIONS INCOME**		**1.685.893**
4.1	Fees and commissions received		2.048.989
4.1.1	Non-cash loans		84.629
4.1.2	Other		1.964.360
4.2	Fees and commissions paid		363.096
4.2.1	Non-cash loans		1.220
4.2.2	Other		361.876
V.	**DIVIDEND INCOME**	**(3)**	**14.499**
VI.	**NET TRADING INCOME**	**(4)**	**(1.234.157)**
6.1	Securities trading gains/ (losses)		4.000
6.2	Gains / (losses) from financial derivatives transactions		(1.257.498)
6.3	Foreign exchange gains/ (losses)		19.341
VII.	**OTHER OPERATING INCOME**	**(5)**	**131.780**
VIII.	**NET OPERATING INCOME (III+IV+V+VI+VII)**		**6.249.616**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**(6)**	**1.233.440**
X.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**2.967.211**
XI.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**2.048.965**
XII.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		**-**
XIII.	**GAIN / (LOSS) ON EQUITY METHOD**		**-**
XIV.	**GAIN / (LOSS) ON NET MONETARY POSITION**		**-**
XV.	**PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)**	**(8)**	**2.048.965**
XVI.	**TAX CHARGE FOR CONTINUED OPERATIONS (±)**	**(9)**	**(445.524)**
16.1	Current income tax charge		(446.266)
16.2	Deferred tax charge / benefit		742
XVII.	**NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)**	**(10)**	**1.603.441**
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)**	**1.603.441**
	Earnings Per Share (TL)		0,04786

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2018

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited 01.01-31.12.2018
I.	**CURRENT PERIOD PROFIT/LOSS**	**2.409.829**
II.	**OTHER COMPREHENSIVE INCOME**	**228.018**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**397.863**
2.1.1	Revaluation Surplus on Tangible Assets	-
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	19.408
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	384.047
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(5.592)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**(169.845)**
2.2.1	Translation Differences	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(425.749)
2.2.3	Gains/losses from Cash Flow Hedges	211.542
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	44.362
III.	**TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)**	**2.637.847**

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

		Audited 01.01-31.12.2017
I.	**ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS**	**305.348**
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)**	**239.675**
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**	**(32.067)**
IX.	**DEFERRED TAX OF VALUATION DIFFERENCES**	**(87.323)**
X.	**TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)**	**425.633**
XI.	**PROFIT/LOSS**	**1.603.441**
11.1	Change in fair value of marketable securities (Transfer to Profit/Loss)	5.073
11.2	Reclassification and transfer of derivatives accounted for cash flow hedge purposes recycled to Income Statement	(1.327)
11.3	Transfer of hedge of net investments in foreign operations recycled to Income Statement	-
11.4	Other	1.599.695
XII.	**TOTAL PROFIT / LOSS ACCOUNTED FOR THE PERIOD (X ± XI)**	**2.029.074**

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Audited	Part 5 Section V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity
	Prior period – 01.01 – 31.12.2017																	
I.	**Prior Period End Balance**		3.150.000	-	714	-	444.527	-	5.425.540	(42.019)	-	1.203.410	(104.084)	-	2.689	45.551	-	10.126.328
	Changes in period																	
II.	**Increase/decrease related to merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable securities valuation differences**	(1)	-	-	-	-	-	-	-	-	-	-	263.253	-	-	-	-	263.253
IV.	**Hedging funds (effective portion)**		-	-	-	-	-	-	-	-	-	-	-			186.341	-	186.341
4.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	186.341	-	186.341
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Tangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Intangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus shares obtained from associates, subsidiaries and entities under common control**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Foreign exchange differences**	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**The disposal of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**The reclassification of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**The effect of change in associates' equity**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**Capital increase**	(5)	200.000	-	-	-	-	-	(200.000)	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		200.000	-	-	-	-	-	(200.000)	-	-	-	-	-	-	-	-	-
XIII.	**Share issue**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Inflation adjustment to paid-in capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-	-	(23.961)		-	-	-	-	-	-	(23.961)
XVII.	**Period net income/(loss)**		-	-	-	-	-	-	-	-	1.603.441		-	-	-	-	-	1.603.441
XVIII.	**Profit distribution**	(3)	-	-	-	-	60.171	-	1.143.239	-	-	(1.203.410)	-	-	-	-	-	-
18.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	60.171	-	1.143.239	-	-	(1.203.410)	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance (I+II+III+...+X-VI+XVII+XVIII)		3.350.000	-	714	-	504.698	-	6.368.779	(65.980)	1.603.441	-	159.169	-	2.689	231.892	-	12.155.402

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

QNB FİNANSBANK ANONİM ŞİRKETİ STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2018

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
	Audited	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Other(*)	Translation Differences	Income/Expenses from Valuation and/ or Reclassification of Financial Assets Measured at FVOCI	Other(**)	Profit Reserves	Prior Periods' Profit/ Loss	Current Period's Net Profit/Loss	Total Equity
	Current Period- 01.01 – 31.12.2018															
I.	**Prior Period End Balance**		3.350.000	714	-	-	-	(65.980)	412.984	-	(251.126)	231.892	6.873.477	1.603.441	-	12.155.402
II.	**Correction made as per TAS 8(***)**		-	-	-	-	-	-	-	-	88.513	-	-	(209.713)	-	(121.200)
2.1	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	88.513	-	-	(209.713)	-	(121.200)
III.	**Adjusted Balances at Beginning of Period (I+II)**		3.350.000	714	-	-	-	(65.980)	412.984	-	(162.613)	231.892	6.873.477	1.393.728	-	12.034.202
IV.	**Total Comprehensive Income**		-	-	-	-	-	15.138	382.725	-	(335.012)	165.167	-	-	2.409.829	2.637.847
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Increase/Decrease by Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	1.293.728	(1.393.728)	-	(100.000)
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	(100.000)	-	(100.000)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	1.293.728	(1.293.728)	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV...+X+XI)		3.350.000	714	-	-	-	(50.842)	795.709	-	(497.625)	397.059	8.167.205	-	2.409.829	14.572.049

(*) Accumulated amounts of share of investments accounted for by the equity method that can not be classified as profit / loss from other comprehensive income with other comprehensive income that will not be reclassified to other profit or loss
(**) Accumulated amount of cash flow hedge gains / losses, equity attributable to equity holders of the Group for profit or loss from other comprehensive income and other comprehensive income to be reclassified to other profit or loss
(***) Information of transition TFRS 9 explained in Section three part XXVII.

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

QNB FİNANSBANK ANONİM ŞİRKETİ STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

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

VI. STATEMENT OF CASH FLOWS

	Section VI	Part 5	Audited 01.01 – 31.12.2018
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities**		**6.205.042**
1.1.1	Interest received		13.587.268
1.1.2	Interest paid		(4.522.263)
1.1.3	Dividend received		52.196
1.1.4	Fees and commissions received		2.688.860
1.1.5	Other income		64.077
1.1.6	Collections from previously written off loans		1.423.091
1.1.7	Payments to personnel and service suppliers		(2.472.635)
1.1.8	Taxes paid		(1.234.763)
1.1.9	Others	(1)	(3.380.789)
1.2	**Changes in operating assets and liabilities**		**269.489**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss		(4.236)
1.2.2	Net (increase) decrease in due from banks		236.261
1.2.3	Net (increase) decrease in loans		(7.517.232)
1.2.4	Net (increase) decrease in other assets	(1)	(3.726.562)
1.2.5	Net increase (decrease) in bank deposits		1.123.770
1.2.6	Net increase (decrease) in other deposits		8.538.123
1.2.7	Net (increase) decrease in financial liabilities measured at fair value through profit/loss		-
1.2.8	Net increase (decrease) in funds borrowed		(2.295.275)
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities	(1)	3.914.640
I.	**Net cash provided from / (used in) banking operations**		**6.474.531**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from / (used in) investing activities**		**(2.896.918)**
2.1	Purchase of entities under common control, associates and subsidiaries		(35.000)
2.2	Sale of entities under common control, associates and subsidiaries		-
2.3	Fixed assets purchases		(187.474)
2.4	Fixed assets sales		575
2.5	Purchase of financial assets measured at fair value through other comprehensive income		(2.363.029)
2.6	Sale of financial assets measured at fair value through other comprehensive income		1.237.280
2.7	Purchase of financial assets measured at amortized cost		(2.201.072)
2.8	Sale of financial assets measured at amortized cost		837.723
2.9	Others	(1)	(185.921)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash provided from / (used in) financing activities**		**(722.659)**
3.1	Cash obtained from funds borrowed and securities issued		2.521.794
3.2	Cash used for repayment of funds borrowed and securities issued		(3.141.794)
3.3	Capital increase		-
3.4	Dividends paid		(100.000)
3.5	Payments for finance leases		(2.659)
3.6	Other		-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**(40.687)**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**	(2)	**2.814.267**
VI.	**Cash and cash equivalents at beginning of the period**	(3)	**5.952.798**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**8.767.065**

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

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

VI. STATEMENT OF CASH FLOWS

		Part 5 Section VI	Audited 01.01 – 31.12.2017
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities (+)**		**3.426.451**
1.1.1	Interest received (+)		10.061.230
1.1.2	Interest paid (-)		(5.004.761)
1.1.3	Dividend received (+)		14.499
1.1.4	Fees and commissions received (+)		2.026.657
1.1.5	Other income (+)		117.927
1.1.6	Collections from previously written off loans (+)		982.492
1.1.7	Payments to personnel and service suppliers (-)		(2.252.910)
1.1.8	Taxes paid (-)		(470.625)
1.1.9	Others (+/-)	(1)	(2.048.058)
1.2	**Changes in operating assets and liabilities**		**(4.806.198)**
1.2.1	Net (increase) decrease in financial assets held for trading (+/-)		(6.281)
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss (+/-)		(3.218)
1.2.3	Net (increase) decrease in due from banks (+/-)		(2.184.514)
1.2.4	Net (increase) decrease in loans (+/-)		(17.878.605)
1.2.5	Net (increase) decrease in other assets (+/-)	(1)	(446.374)
1.2.6	Net increase (decrease) in bank deposits (+/-)		443.066
1.2.7	Net increase (decrease) in other deposits (+/-)		11.285.428
1.2.8	Net increase (decrease) in funds borrowed (+/-)		4.634.756
1.2.9	Net increase (decrease) in matured payables (+/-)		-
1.2.10	Net increase (decrease) in other liabilities (+/-)	(1)	(650.456)
I.	**Net cash provided from / (used in) banking operations (+/-)**		**(1.379.747)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from / (used in) investing activities (+/-)**		
			(1.805.317)
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 (+)		(30.000)
2.3	Fixed assets purchases (-)		-
2.4	Fixed assets sales (+)		(134.565)
2.5	Cash paid for purchase of financial assets available for sale (-)		433
2.6	Cash obtained from sale of financial assets available for sale (+)		(2.498.677)
2.7	Cash paid for purchase of investment securities (-)		1.708.781
2.8	Cash obtained from sale of investment securities (+)		(829.915)
2.9	Others (+/-)		140.075
		(1)	(161.449)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash provided from / (used in) financing activities (+/-)**		**3.385.578**
3.1	Cash obtained from funds borrowed and securities issued (+)		4.536.797
3.2	Cash used for repayment of funds borrowed and securities issued (-)		(1.149.648)
3.3	Capital increase (+)		-
3.4	Dividends paid (-)		-
3.5	Payments for finance leases (-)		(1.571)
3.6	Other (+/-)		-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents (+/-)**		**1.900**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**	**(2)**	**202.414**
VI.	**Cash and cash equivalents at beginning of the period (+)**	**(3)**	**5.750.384**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**5.952.798**

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ STATEMENT OF UNCONSOLIDATED PROFIT APPROPRIATION FOR THE YEAR ENDED DECEMBER 31, 2018

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

VII. STATEMENT OF UNCONSOLIDATED PROFIT APPROPRIATION (*)

		Audited Current Period 31.12.2018(*)	Audited Prior Period 31.12.2017
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	Current Year Income	3.058.741	2.048.965
1.2	Taxes And Duties Payable (-)	648.912	445.524
1.2.1	Corporate Tax (Income Tax)	711.041	446.266
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes And Duties(**)	(62.129)	(742)
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**2.409.829**	**1.603.441**
1.3	Prior Year Losses(-)	-	-
1.4	First Legal Reserves(-)	-	80.172
1.5	Other Statutory Reserves (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**2.409.829**	**1.523.269**
1.6	First Dividend To Shareholders(-)	-	100.000
1.6.1	To Owners Of Ordinary Shares	-	100.000(**)
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	-	(1.423.269)
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 (TL)	0,07194	0,04786
3.2	To Owners Of Ordinary Shares(%)	7,19%	4,79%
3.3	To Owners Of Privileged Shares (TL)	-	-
3.4	To Owners Of Privileged Shares (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	To Owners Of Ordinary Shares (TL)	-	0,00299
4.2	To Owners Of Ordinary Shares(%)	-	0,30%
4.3	To Owners Of Privileged Shares (TL)	-	-
4.4	To Owners Of Privileged Shares (%)	-	-

(*) Decision regarding the profit distribution for the 2018 will be taken at the General Meeting.

(**) Distributed to the shareholders as cash dividend.

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

SECTION THREE
ACCOUNTING POLICIES

I. Basis of Presentation

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

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

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

Explanation for Convenience Translation to English

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

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

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"),and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2017 except for the application of TFRS 9. The Bank has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated January 19, 2017 in lieu of TAS 39 Financial Instruments: "Accounting and Measurement" starting from January 1, 2018. TFRS 9 sets out the new principles for the classification and measurement of financial instruments and expected credit loss which will be calculated for financial assets. Explanations on adoption of TFRS 9 is explained in Note XXVI.

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

Financial statements are prepared in TL accordance with the historical cost basis except for financial instruments measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income, derivative financial assets and liabilities. In addition, carrying value of assets subject to fair value hedge but are carried at historical cost is adjusted to reflect fair value changes related to risks being hedged.

The preparation of unconsolidated financial statements in conformity with TFRS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent matters as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

2.1. Changes in Accounting policies and disclosures

2.1.1. Major new and amended standards and interpretations

The Bank have started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the accompanying financial statements starting from January 1, 2018 for the first time based on the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans which came into force starting from January 1, 2018. TFRS 15 and other new TFRS/TAS amendments in effect do not have significant impact on the accounting policies, financial position and performance of the Bank. In addition, the bank completed its compliance studies with the TFRS 16 Leases (TFRS 16), effective from January 1, 2019, and concluded that the impact of the standard on the financial statements as of December 31, 2018 would increase the total assets and liabilities within the range of 0,2 - 0,3%.

2.1.2. The standards which are effective as of January 1, 2018

TFRS 9 Financial Instruments

As of January 1, 2018, the have started to apply TFRS 9 standard which replaces TAS 39 Financial Instruments: Recognition and Measurement for the first time in the financial statements. TFRS 9 also includes new hedge accounting rules aiming alignment with risk management activities.

TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting provisions of TAS 39 as a policy choice. Accordingly, the Bank continue to apply hedge accounting in accordance with TAS 39 in this context. The Bank continued to apply the provisions of TAS 39 hedge accounting. The Bank has not restated the comparative information for financial instruments within the scope of TFRS 9 for the year 2017, and the transition impact on the financial statements regarding first time adoption of TFRS 9 as of January 1, 2018 is presented in prior period profit and loss in the statement of changes in equity for the period ended. The financial statements and the notes to the financial statements have not been presented comparatively since the current period and prior period financial statements have been prepared on different basis.

As of January 1, 2018, the transition effects on the Financial Statements for the initial application of TFRS 9 are presented in note XXVI.

Amendments to classification and measurement of financial assets in accordance with TFRS 9, except for equity instruments and derivative instruments for the classification and measurement of financial assets, the business model and cash flow characteristics are managed based on which the assets are managed. The TAS 39 measurement categories of financial assets at fair value through profit or loss, available for sale and held-to-maturity have been replaced by: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost, respectively as a consequence of TFRS 9. Details of the parent bank's classification and measurement of financial assets are included in note VII.

TFRS 9 has changed the accounting for loan loss impairments by replacing TAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. It is formed an impairment model having 3 stages based on the change in credit quality since initial recognition. The approach of regarding measurement of credit impairment is presented in note VIII.

TFRS 15 Revenue from contracts with customers

TFRS 15 Revenue from contracts with customers standard provides single and comprehensive model and guidance regarding recognition of revenue and replaces TAS 18 Revenue standard. The standard is in effect starting from January 1, 2018 and does not have significant impact on the financial statements.

2.1.3. The new standards not effective as of January 1, 2018

TFRS 16 Leases

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The standard is effective from annual periods beginning on or after January 1, 2019 and the adoption process regarding the mentioned amendments continues as of the reporting date.In addition, the bank completed its compliance studies with the TFRS 16 Leases (TFRS 16), effective from January 1, 2019, and concluded that the impact of the standard on the financial statements as of December 31, 2018 would increase the total assets and liabilities within the range of 0,2 - 0,3%.

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

1. Strategy for the use of financial instruments

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

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

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

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

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

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

2. Foreign currency transactions

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

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed as of December 31, 2018 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Bank's foreign currency exchange rates for the related period ends are as follows:

	December 31, 2018	December 31, 2017
US Dollar	TL 5,2609	TL 3,8104
Euro	TL 6,0280	TL 4,5478

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

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

financial instruments in the income statement. While gain / loss from spot foreign exchange transactions are included in the profit / loss item of foreign exchange gain/loss on balance sheet, profit / loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income / loss statement of derivative financial instruments. Therefore, in order to determine the net profit / loss effects of foreign exchange transactions, two balances should be assessed together. As of December 31, 2018, net foreign exchange transaction income is TL 597.803 (December 31, 2017- TL 136.962 net foreign exchange transaction income) when the net interest expense amounting to TL 2.017.523 (December 31, 2017- TL 1.375.119) arising from derivative transactions is excluded from the derivative transactions income amounting to TL 526.003 (December 31, 2017- TL 1.257.498 derivative transactions loss) and foreign exchange loss amounting to TL 1.945.723 (December 31, 2017- TL 19.341 net foreign exchange loss).

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

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

IV. Explanations on Derivative Financial Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

<u>In cash flow hedge accounting:</u>

The Bank applies cash flow hedge accounting using interest swap transactions to hedge its TL and FC customer deposits with short term cyclical basis and subordinated loans which have floating interest payment. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss" (December 31, 2017: Hedging Funds), whereas the amount concerning ineffective parts is associated with income statement.

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

<u>In fair value hedge accounting:</u>

The Bank applies fair value hedge accounting within the framework of TAS 39 using swaps to hedge a portion of its long term, fixed rate mortgage and project finance loans against possible fair value change due to market interest rate fluctuations.

The Bank applies fair value hedge accounting using interest rate swap transactions to hedge long term, fixed rate, foreign currency Eurobonds in financial assets which is classified as fair value through Other Comprehensive Income (December 31, 2017: Available for Sale) portfolio against interest rate fluctuations.

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

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

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

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

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

After September 30, 2018, the Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market. Fair value exchange difference adjustment amounting to TL 1.253.266 which is shown in tangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

V. Explanations on Interest Income and Expenses

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

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

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

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

Classification of financial instruments

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

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

Assessment of business model

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

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

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

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

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

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

Other business models

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

Measurement categories of financial assets and liabilities

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

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

Financial assets at the fair value through profit or loss

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

Financial assets at fair value through profit and loss ,which are recognized in accordance with the bank's business model, have stocks, bonds and bills.The Bank has classified the related loan to financial assets at fair value through profit or loss in accordance with TFRS 9, since the terms of the contract for a loan extended to the private purpose company in December 2018 have not resulted in cash flows that include interest payments due to principal and principal balance at certain dates.

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

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

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

Financial Assets Measured at Amortized Cost:

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

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

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

VIII. Explanations on Expected Credit Losses:

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

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

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

Calculation of expected credit losses

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

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

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

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

Probability of Default (PD)

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

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

Loss Given Default (LGD)

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

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

Exposure at Default (EAD):

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

Consideration of the Macroeconomic Factors

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

• Five year credit risk of Turkey;

• Real GDP growth;

• Unemployment rate;

• European Region inflation rate; and

• Five year government bond interest rate of Turkey.

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

Calculating the Expected Loss Period

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

Significant increase in credit risk

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

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

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

• Loans overdue more than 30 days as of the reporting date;

• Loans classified as watch-list; and

• When there is a change in the payment plan due to restructuring.

IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of financial instruments

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

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

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

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

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

c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

Based on TFRS 9, it shall be reclassified all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it is changed the business model for managing financial assets.

e) Restructuring and refinancing of financial instruments

The bank may be changed the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan can not be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is made for changing the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future.

Changes in the original terms of a credit risk can be made in the current contract or through a new contract.

Corporate and commercial companies which have been restructured and refinanced can be removed from the watchlist when the following conditions are met:

• Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time); and

• At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring /refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing.

In order for the restructured non-performing corporate and commercial loans to be classified to the watchlist category, the following conditions must be met:

• Recovery in debt service;

• At least 1 year should pass over the date of restructuring;

• Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing; and

• Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification.

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

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

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

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

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

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 6.488.226 (December 31, 2017– TL 7.616.909).

As of December 31, 2018 the Bank has no securities that are subject to lending transactions (December 31, 2017 - None).

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

XII. Explanations on Assets Held for Sale and Discontinued Operations

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

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

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

XIII. Explanations on Goodwill and Other Intangible Assets

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

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

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

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

XIV. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

XV. Explanations on Leasing Transactions

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

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

The Bank has no leasing transactions as lessor.

XVI. Explanations on Provisions and Contingent Liabilities

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

XVII. Explanations on Obligations of the Bank Concerning Employee Benefits

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

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

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

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

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

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

XVIII. Explanations on Taxation

1. Corporate Tax

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

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

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

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

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

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

2. Deferred Taxes

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

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

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

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

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

3. Transfer Pricing

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

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. Explanations on Additional Explanations on Borrowings

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

XX. Explanations on Share Issues

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

XXI. Explanations on Confirmed Bills of Exchange and Acceptances

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

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

XXII. Explanations on Government Incentives

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

XXIII. Explanations on Segment Reporting

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

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

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

The Corporate Marketing Unit provides services to firms that are institutional, big size, that have annual revenues of TL 300.000 and higher and multi-national firms operating in Turkey. The firms that have annual revenues between TL 40.000 and TL 300.000 are considered as “Commercial Enterprise”. The Bank gives importance to the commercial segmentation in order to hedge risk and decrease the concentration of income. Moreover; The Bank also offers sectoral solution packages to these small and medium-size firms.

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

Current Period (January 1 – December 31, 2018)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Bank**
Net Interest Income	2.078.539	2.739.986	2.864.848	7.683.373
Net Fees and Commissions Income	1.570.507	616.839	(47.461)	2.139.885
Other Operating Income and Net Trading Income	46.021	(420)	(1.387.284)	(1.341.683)
Personnel Expense (-)	325.944	405.578	693.581	1.425.103
Dividend Income	-	-	52.196	52.196
Operating Income	**3.369.123**	**2.950.827**	**788.718**	**7.108.668**
Other Operating Expenses	1.497.974	816.124	389.719	1.924.379
Provision for Loan Losses and Other Receivables	556.783	1.407.662	161.103	2.125.548
Profit Before Taxes	**1.314.366**	**727.041**	**1.017.334**	**3.058.741**
Provision for Tax(-)				**648.912**
Net Profit/Loss				**2.409.829**
Total Assets	**33.403.626**	**60.614.395**	**51.913.752**	**157.415.735**
Segment Assets	33.403.626	60.614.395	51.913.752	145.931.773
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	1.298.703
Undistributed Assets	-	-	-	10.185.259
Total Liabilities	**56.362.699**	**27.049.207**	**46.618.573**	**157.415.735**
Segment Liabilities	56.362.699	27.049.207	46.618.573	130.030.479
Undistributed Liabilities	-	-	-	12.813.207
Equity	-	-	-	14.572.049
Other Segment Accounts	**419.024**	**228.292**	**(97.228)**	**550.088**
Capital Expenditures	230.912	125.805	(60.075)	296.642
Depreciation and Amortization	188.112	102.487	(37.153)	253.446

Prior Period (January 1 – December 31, 2017)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Bank**
Net Interest Income	1.834.670	1.794.691	2.022.240	5.651.601
Net Fees and Commissions Income	1.137.582	599.152	(50.841)	1.685.893
Other Operating Income and Net Trading Income	88.035	31.163	(1.221.575)	(1.102.377)
Dividend Income	-	-	14.499	14.499
Operating Income	**3.060.287**	**2.425.006**	**764.323**	**6.249.616**
Other Operating Expenses (-)	1.625.224	1.106.568	235.419	2.967.211
Provision for Loan Losses and Other Receivables (-)	550.232	645.226	37.982	1.233.440
Profit Before Taxes	**884.831**	**673.212**	**490.922**	**2.048.965**
Provision for Tax(-)	**-**	**-**	**-**	**445.524**
Net Profit/Loss	**-**	**-**	**-**	**1.603.441**
Other Segment Accounts	**259.139**	**176.440**	**43.795**	**482.455**
Capital Expenditures	121.139	82.480	23.766	227.385
Amortization	138.000	93.960	20.029	251.989
Decrease of Value (Increase)	-	-	-	3.081

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

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

XXIV. Explanations on Profit Reserves and Profit Distribution

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

2017 profit distribution table:	
Current Year Profit	**1.603.441**
A – I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(80.172)
B –The First Dividend for Shareholders(*)	(100.000)
C – Extraordinary Reserves	(1.423.269)

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

XXV. Earnings Per Share

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

	Current Period	Prior Period
Net Profit for the Period	2.409.829	1.603.441
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
Earnings Per Share (TL)	**0,07194**	**0,04786**

In Turkey, companies can increase capital through "bonus share" distributed from previous year earnings to current shareholders. Such "bonus share" distributions are accounted as issued shares while calculating earnings per share. Accordingly, weighted average amount of shares issued used in these calculations is found through taking into consideration retroactive effects of subject share distributions. In case, amount of shares issued increases after the balance sheet date but before the date of financial statement preparation due to distribution of "bonus share", earnings per share is calculated taking into consideration the new amount of shares.

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

XXVI. Explanations on Other Matters

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

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

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

Financial Assets	Book Value Before TFRS 9 December 31, 2017	Reclassifications	Re-measures	TFRS 9 book value January 1, 2018	Tax Effect	Equity Effect
Measured at amortized cost						
Pre-classification balance (held to maturity)	7.168.664	-	-	-	-	-
Classified from Measured at Fair Value Through Other Comprehensive Income	-	1.720.595	99.484	-	(21.888)	77.596
Classified as Measured at Fair Value Through Other Comprehensive Income	-	(42.573)	-	-	-	-
Post-classification book value	-	-	-	8.946.170	-	-
Measured at Fair Value through Other Comprehensive Income						
Pre-classification Balance (Available to Sale)	8.349.710	-	-	-	-	-
Classified as Held-to-Maturity	-	42.573	2.872	-	(632)	2.240
Classified to Held-to-Maturity	-	(1.720.595)	-	-	-	-
Post-classification book value	-	-	-	6.674.560	-	-
Expected loss provision	-	-	11.124	-	(2.447)	8.677
Loans and Other Receivables Measured at Amortized Cost (Gross)						
Pre-classification value measured at Amortized Cost	86.202.301	-	-	-	-	-
Financial Assets Measured at Fair Value Through Profit/Loss	10.579	-	-	-	-	-
Classified to Measured at Amortized Cost	-	10.579	-	-	-	-
Classified from Measured at Fair Value Through Profit/Loss	-	(10.579)	-	-	-	-
Post-classification Value Measured at Amortized Cost	-	-	-	86.212.880	-	-
Post-classification Value Measured at Fair Value through Profit/Loss	-	-	-	-	-	-
Expected Loss Provision (*)	(5.101.253)	-	(651.561)	(5.752.814)	441.848	(209.713)

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

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

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

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

	Book Value Before TFRS 9 December 31, 2017	Remeasurements	Book Value After TFRS 9 January 1, 2018
Loans	**4.883.424**	**605.658**	**5.489.082**
Stage 1	1.124.990	(117.112)	1.007.878
Stage 2	228.613	871.900	1.100.513
Stage 3	3.529.821	(149.130)	3.380.691
Financial Assets(*)	**59.270**	**(18.424)**	**40.846**
Non-Cash Loans(**)	**158.559**	**64.327**	**222.886**
Stage 1 and 2	91.845	120.072	211.917
Stage 3	66.714	(55.745)	10.969
Total	**5.101.253**	**651.561**	**5.752.814**

(*) Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets.
(**) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified "General Provision" and expected credit loss for stage 3 non-cash loans is classified "Other Provisions" under liabilities. In accordance with TFRS 9, the expected loss provisions for the 1st, 2nd and 3rd stage non-cash loans are in the "Other Provisions" column in the liabilities.

3. Effects on equity with TFRS 9 transition

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

The amounting to TL 651.561 difference which is an expense between the provision for impairment of the previous period of the Bank and the provision for loss that is measured in accordance with TFRS 9 impairment model as of January 1, 2018 is classified as "Extraordinary Reserves" in shareholders' equity.

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

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

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

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

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

1. Explanations and Disclosures on Financial Assets

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

a. Financial assets at fair value through profit or loss

a.1. Financial assets held for trading

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

a.2. Financial assets at fair value through profit or loss

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

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

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

b. Investment securities available for sale

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

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

When investment securities available for sale are sold, collected or otherwise disposed of, the cumulative fair value adjustments under equity are transferred to the income statement. The Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity portfolios. CPI government bonds that are constant throughout their lives and their real principal amounts are preserved from inflation.

These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate as disclosed by the Turkish Treasury. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

Some portion of the Eurobond portfolio which has been recognized as available for sale securities are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009, and some portion of the TL government bonds are designated as fair value hedged items, hedged against interest rate fluctuations, starting from July 2011. Those securities are disclosed under Investment Securities Available for Sale in order to be in line with balance sheet presentation. The fair value differences of Eurobond and TL government bond hedged items are accounted for under "Securities Trading Gains/ Losses" in the income statement.

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

c. Investment securities held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from held-to-maturity financial assets is accounted in income statement.

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

d. Loans and specific provisions

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

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

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

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

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

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

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

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

e. Derivative instruments

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

In accordance with TAS 39 "Financial Instruments: Recognition and Measurement", derivative instruments are categorized as "hedging purpose" or "trading purpose" transactions. Derivatives are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Assets on Trading Derivatives" ,"Liabilities on Trading Derivatives" or "Assets on Hedging Purpose Derivatives" and "Liabilities on Hedging Purpose Derivatives" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts of derivative transactions presented on the balance sheet, represent the fair value differences based on the valuation.

2. Explanations on Fees and Commission Income and Expenses

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

3. Explanations on Tax Implementation

Deferred tax asset is not provided over general reserve for possible risk and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated December 8, 2004.

4. Explanations on Fees and Commission Income and Expenses

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

5. Explanations on Leasing Transactions

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

6. Explanations on factoring receivables

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

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

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. Explanations on Equity

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of December 31, 2018 Bank's total capital has been calculated as TL 18.864.272 (December 31, 2017 – TL 14.142.352), capital adequacy ratio is 15,42%. (December 31, 2017 – 14,99%). This ratio is well above the minimum ratio required by the legislation.

Components of unconsolidated shareholders' equity items:

	Current Period December 31, 2018	1/1/2014 Amounts related to previous application(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.350.000	
Share issue premiums	714	
Reserves	8.167.205	
Gains recognized in equity as per TAS	859.788	
Profit	2.409.829	
Current Period Profit	2.409.829	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	2.689	
Common Equity Tier 1 Capital Before Deductions	**14.790.225**	
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	615.234	
Improvement costs for operating leasing	67.876	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	370.964	370.964
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	**1.054.074**	
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	521.248	
Total Common Equity Tier 1 Capital	**14.257.399**	

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

	Current Period December 31, 2018	1/1/2014 Amounts related to previous application(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	**-**	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	**-**	
Total Additional Tier I Capital	**-**	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**14.257.399**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	3.308.715	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.381.696	
Tier II Capital Before Deductions	**4.690.411**	
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	**4.690.411**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**18.947.810**	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.890	
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 (-)	70.648	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking,financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity,mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	

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

	Current Period December 31, 2018	1/1/2014 Amounts related to previous application (*)
TOTAL CAPITAL		
Total Capital	18.864.272	
Total risk weighted amounts	122.314.929	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	11,66%	
Tier 1 Capital Adequacy Ratio (%)	11,66%	
Capital Adequacy Ratio (%)	15,42%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	1,88%	
a) Capital conservation buffer requirement	1,88%	
b) Bank specific counter-cyclical buffer requirement	0,01%	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	5,65%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	151.473	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2.853.495	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.381.696	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	3.308.715	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.478.704	

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

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Information on Equity Accounts:	**Prior Period December 31, 2017**	**1/1/2014 Amounts related to previous application(*)**
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.350.000	
Share issue premiums	714	
Reserves	6.873.477	
Gains recognized in equity as per TAS	410.295	
Profit	1.603.441	
Current Period Profit	1.603.441	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	2.689	
Common Equity Tier 1 Capital Before Deductions	**12.240.616**	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	317.106	
Improvement costs for operating leasing	69.808	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	236.740	295.925
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss		
amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of		
consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of		
consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of		
Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside		
the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	**623.654**	
Total Common Equity Tier 1 Capital	**11.616.962**	

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

	Prior Period December 31, 2017	1/1/2014 Amounts related to previous application(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	**-**	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	59.185	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	**-**	
Total Additional Tier I Capital	**-**	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**11.557.777**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	1.568.424	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.047.498	
Tier II Capital Before Deductions	**2.615.922**	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	**-**	
Total Tier II Capital	**2.615.922**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**14.173.699**	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.355	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	18.992	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds(-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insuranceentities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued commonshare capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for thepurposes 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 thescope 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 (-)	-	

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

	Prior Period December 31, 2017	1/1/2014 Amounts related to previous application (*)
TOTAL CAPITAL		
Total Capital	14.142.352	
Total risk weighted amounts	94.325.508	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12,32%	
Tier 1 Capital Adequacy Ratio	12,25%	
Capital Adequacy Ratio	14,99%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	1,76%	
Capital conservation buffer requirement	1,25%	
Bank specific counter-cyclical buffer requirement	0,01%	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,32%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	151.969	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.396.268	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.047.498	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	1.568.424	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.899.040	

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

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

Information on debt instruments included in the calculation of equity:

	1	2	3	4
Issuer	QATAR NATIONAL BANK S.A.Q.	QATAR NATIONAL BANK S.A.Q.	QATAR NATIONAL BANK S.A.Q.	QATAR NATIONAL BANK S.A.Q.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	Yes	Yes	None
Eligible at stand-alone / consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	1.710	142	89	1.368
Par value of instrument (Currency in million)	1.710	1.052	658	1.368
Accounting classification	Liability – Subordinated Loans - amortized cost	Liability – Subordinated Loans - amortized cost	Liability – Subordinated Loans - amortized cost	Liability – Subordinated Loans - amortized cost
Original date of issuance	June 29, 2018	October 6, 2009	December 28, 2009	May 22, 2017
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	12 years	12 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends	6 months	6 months	6 months	6 months
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
Coupon rate and any related index	LIBOR + 5,30%	LIBOR + 4,34%	LIBOR + 4,34%	LIBOR + 3,87%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-

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

(*) The conversion rate / value will be calculated based on the market data available when the right is exercised.

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

Informations on Article 5 of the Regulation on Equities of Banks:

EQUITY ITEMS	T	T-1	T-2	T-3	T-4
Common Equity	14.257.399	13.980.095	13.898.781	13.817.466	13.736.151
Transition process not implemented Common Equity	13.736.151	13.736.151	13.736.151	13.736.151	13.736.151
Tier 1 Capital	14.257.399	13.980.095	13.898.781	13.817.466	13.736.151
Transition process not implemented Tier 1 Capital	13.736.151	13.736.151	13.736.151	13.736.151	13.736.151
Total Capital	18.864.272	18.586.968	18.505.653	18.424.338	18.343.024
Transition process not implemented Equity	18.343.024	18.343.024	18.343.024	18.343.024	18.343.024
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	122.314.929	122.314.929	122.314.929	122.314.929	122.314.929
Capital Adequacy Ratio					
Common Equity Adequacy Ratio (%)	11,66%	11,43%	11,36%	11,30%	11,23%
Transition process not implemented Common Equity Ratio (%)	11,23%	11,23%	11,23%	11,23%	11,23%
Tier 1 Capital Adequacy Ratio (%)	11,66%	11,43%	11,36%	11,30%	11,23%
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	11,23%	11,23%	11,23%	11,23%	11,23%
Capital Adequacy Ratio (%)	15,42%	15,20%	15,13%	15,06%	15,00%
Transition process not implemented Capital Adequacy Ratio (%)	15,00%	15,00%	15,00%	15,00%	15,00%
LEVERAGE					
Leverage Ratio Total Risk Amount	226.814.736	226.814.736	226.814.736	226.814.736	226.814.736
Leverage(%)	6,22%	6,22%	6,22%	6,22%	6,22%
Transition process not implemented Leverage Ratio(%)	6,06%	6,06%	6,06%	6,06%	6,06%

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

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

II. Explanations On Risk Management:

1. Explanations on Credit Risk

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

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

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

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

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

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

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

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

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

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

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

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

The policies implemented by the bank regarding the calculation of expected loss provisions are explained in note VIII of the third part. The bank has taken the general provision for overdue loans and special provision for impaired loans under the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) into consideration.

The receivables of the Bank from its top 100 cash loan customers are 26% in the total cash loans (December 31, 2017 – 21%).

The receivables of the Bank from its top 200 cash loan customers are 30% in the total cash loans (December 31, 2017 - 24%).

The receivables of the Bank from its top 100 non-cash loan customers are 52% in the total non-cash loans (December 31, 2017 – 47%).

The receivables of the Bank from its top 200 non-cash loan customers are 62% in the total non-cash loans (December 31, 2017 – 56%).

The share of cash and non-cash receivables of the Bank from its top 100 loan customers in total cash and non -cash loans is 25% (December 31, 2017 – 26%).

The share of cash and non-cash receivables of the Bank from its top 200 loan customers in total cash and non -cash loans is 31% (December 31, 2017 – 30%).

The general loan loss provision taken by the Bank is TL 2.853.495. (December 31, 2017-TL 1.396.268).

As of December 31, 2018, the Bank does not take any provision for probable risks in loan portfolio amounted (December 31, 2017-TL 108.450 TL).

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

	Current Period		Prior Period	
	Current Period Risk Amount(*)	Average Risk Amount(**)	Prior Period Risk Amount(*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments and Central Banks	37.533.317	35.515.103	31.074.212	27.533.656
Conditional and unconditional receivables from regional or local governments	83.606	55.545	5.346	8.990
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	224.563	148.266	73.515	56.916
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	21.259.608	21.225.512	14.837.238	13.893.963
Conditional and unconditional receivables from corporates	54.205.109	47.939.134	39.539.612	33.448.593
Conditional and unconditional receivables from retail portfolios	52.335.034	50.550.977	45.761.846	42.068.202
Conditional and unconditional receivables secured by mortgages	6.096.008	7.742.898	8.951.095	9.009.808
Past due receivables	1.308.493	983.134	800.278	616.268
Receivables defined under high risk category by BRSA	120.409	46.828	1.872	28.529
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Investment in equities	1.416.874	1.187.050	977.304	140.372
Other receivables	7.099.718	5.921.662	4.269.888	5.100.825

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

QNB FİNANSBANK ANONİM ŞİRKETİ NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

Profile of significant exposures in major regions:

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
Domestic	37.533.317	83.606	224.563	-	-	2.353.934	53.575.103	52.317.587	6.090.521	1.307.500	87.317	-	-	-	-	1.416.874	7.099.718	162.090.040
EU countries	-	-	-	-	-	15.642.600	411.226	118	201	11	19.793	-	-	-	-	-	-	16.073.949
OECD countries (**)	-	-	-	-	-	195.934	5.844	6	4.772	-	13.299	-	-	-	-	-	-	219.855
Off-shore banking regions	-	-	-	-	-	366.208	70.123	8	60	-	-	-	-	-	-	-	-	436.399
USA, Canada	-	-	-	-	-	920.245	23.312	164	83	-	-	-	-	-	-	-	-	943.804
Other countries	-	-	-	-	-	1.780.687	119.501	17.151	371	982	-	-	-	-	-	-	-	1.918.692
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**37.533.317**	**83.606**	**224.563**	**-**	**-**	**21.259.608**	**54.205.109**	**52.335.034**	**6.096.008**	**1.308.493**	**120.409**	**-**	**-**	**-**	**-**	**1.416.874**	**7.099.718**	**181.682.739**

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
Domestic		5.346	73.515	-	-	3.173.783	39.079.371	45.753.500	8.950.083	800.274	4	-	-	-	-	75.802	4.269.888	133.255.778
EU countries	-	-	-	-	-	11.060.518	280.881	907	749	-	1.868	-	-	-	-	-	-	11.344.923
OECD countries (**)	-	-	-	-	-	68.205	12.624	6	-	-	-	-	-	-	-	-	-	80.835
Off-shore banking regions	-	-	-	-	-	24.388	73.355	23	82	-	-	-	-	-	-	-	-	97.848
USA, Canada	-	-	-	-	-	474.340	9.517	215	105	-	-	-	-	-	-	-	-	484.177
Other countries	-	-	-	-	-	36.004	83.864	7.195	76	4	-	-	-	-	-	-	-	127.143
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	901.502	-	901.502
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		**5.346**	**73.515**	**-**	**-**	**14.837.238**	**39.539.612**	**45.761.846**	**8.951.095**	**800.278**	**1.872**	**-**	**-**	**-**	**-**	**977.304**	**4.269.888**	**146.292.206**

(*) Exposure categories based on “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that can not be allocated on a consistent basis.

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

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

Risk profile by sectors or counterparties:

	Exposure Categories(*)																			
Current Period	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**	**FC**	**Total**
Agriculture	**-**	**-**	**61.801**	**-**	**-**	**-**	**445.446**	**2.088.263**	**15.333**	**97.049**	**11.759**	**-**	**-**	**-**	**-**	**-**	**-**	**2.487.667**	**231.984**	**2.719.651**
Farming and Livestock	-	-	61.801	-	-	-	264.357	2.052.031	13.518	96.233	11.759	-	-	-	-	-	-	2.455.523	44.176	2.499.699
Forestation	-	-	-	-	-	-	773	5.772	203	247	-	-	-	-	-	-	-	6.995	-	6.995
Fishing Industry	-	-	-	-	-	-	180.316	30.460	1.612	569	-	-	-	-	-	-	-	25.149	187.808	212.957
Industrial	**-**	**31.103**	**-**	**-**	**-**	**-**	**18.112.507**	**4.435.765**	**510.692**	**242.984**	**34.449**	**-**	**-**	**-**	**-**	**-**	**-**	**9.033.259**	**14.334.241**	**23.367.500**
Mining and Quarrying	-	-	-	-	-	-	228.559	90.843	2.016	1.629	206	-	-	-	-	-	-	226.721	96.532	323.253
Manufacturing Industry	-	-	-	-	-	-	13.760.753	4.305.183	506.626	241.130	34.243	-	-	-	-	-	-	8.346.753	10.501.182	18.847.935
Electricity, Gas, Water	-	31.103	-	-	-	-	4.123.195	39.739	2.050	225	-	-	-	-	-	-	-	459.785	3.736.527	4.196.312
Construction	**-**	**-**	**-**	**-**	**-**	**-**	**4.323.179**	**3.031.745**	**574.655**	**173.770**	**23.070**	**-**	**-**	**-**	**-**	**-**	**-**	**6.023.819**	**2.102.600**	**8.126.419**
Services	**16.812.956**	**33**	**25.671**	**-**	**-**	**19.758.026**	**28.670.061**	**11.289.872**	**1.713.114**	**501.596**	**24.108**	**-**	**-**	**-**	**-**	**-**	**-**	**27.902.317**	**50.893.120**	**78.795.437**
Wholesale and Retail Trade	-	-	7.882	-	-	-	6.281.950	8.989.994	471.732	382.375	17.600	-	-	-	-	-	-	13.151.146	3.000.387	16.151.533
Hotels and Restaurants	-	-	-	-	-	-	2.606.329	267.994	89.174	33.310	534	-	-	-	-	-	-	527.586	2.469.755	2.997.341
Transportation and Communications	-	-	-	-	-	-	9.683.367	752.961	27.397	34.927	2.417	-	-	-	-	-	-	1.148.025	9.353.044	10.501.069
Financial Institutions	16.812.956	33	-	-	-	19.758.026	1.064.978	72.054	235	701	257	-	-	-	-	-	-	10.811.905	26.897.335	37.709.240
Real Estate and Rent Services	-	-	-	-	-	-	5.202.133	238.590	999.772	8.511	1.713	-	-	-	-	-	-	384.232	6.066.487	6.450.719
Independent Business Services	-	-	17.630	-	-	-	1.071.927	493.858	19.773	26.709	1.072	-	-	-	-	-	-	913.442	717.527	1.630.969
Education Services	-	-	114	-	-	-	161.869	190.831	18.201	6.388	-	-	-	-	-	-	-	344.835	32.568	377.403
Health and Social Services	-	-	45	-	-	-	2.597.508	283.590	86.830	8.675	515	-	-	-	-	-	-	621.146	2.356.017	2.977.163
Other	**20.720.361**	**52.470**	**137.091**	**-**	**-**	**1.501.582**	**2.653.916**	**31.489.389**	**3.282.214**	**293.094**	**27.023**	**-**	**-**	**-**	**-**	**1.416.874**	**7.099.718**	**57.393.730**	**11.280.002**	**68.673.732**
Total	**37.533.317**	**83.606**	**224.563**	**-**	**-**	**21.259.608**	**54.205.109**	**52.335.034**	**6.096.008**	**1.308.493**	**120.409**	**-**	**-**	**-**	**-**	**1.416.874**	**7.099.718**	**102.840.792**	**78.841.947**	**181.682.739**

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

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

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

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

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

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

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

Analysis of maturity-bearing exposures according to remaining maturities(*):

	Term to Maturity				
Current Period Exposure Categories	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year**
Conditional and unconditional receivables from central governments and Central Banks	6.925	327.787	85.667	550.871	19.233.346
Conditional and unconditional receivables from regional or local governments	351	-	-	-	83.223
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	4.151	12.070	17.449	65.711	117.531
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	3.652.725	1.802.632	1.331.112	163.738	2.929.945
Conditional and unconditional receivables from corporates	5.353.341	3.266.510	5.005.183	5.623.091	30.369.563
Conditional and unconditional receivables from retail portfolios	2.262.632	3.499.162	3.758.408	5.725.893	23.847.380
Conditional and unconditional receivables secured by mortgages	35.456	136.013	216.477	474.456	5.165.642
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	75	182	263	-	631
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock Investments	118.171	-	-	-	-
Other receivables	-	-	-	-	-
Total	**11.433.827**	**9.044.356**	**10.414.559**	**12.603.760**	**81.747.261**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration.

	Term to Maturity				
Prior Period Exposure Categories	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year**
Conditional and unconditional receivables from central governments and Central Banks	2.355.527	224.773	62.526	136.923	13.423.209
Conditional and unconditional receivables from regional or local governments	13	-	-	5.272	-
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	3.615	41.268	1.751	6.953	8.707
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	4.253.581	1.722.966	505.926	1.077.741	2.075.488
Conditional and unconditional receivables from corporates	3.946.610	2.394.276	3.955.100	5.492.354	20.810.461
Conditional and unconditional receivables from retail portfolios	1.805.990	3.023.666	3.401.066	5.250.290	22.504.718
Conditional and unconditional receivables secured by mortgages	69.690	146.659	353.155	693.599	7.591.428
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	39	-	191	-	457
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Other receivables	75.802	-	-	-	-
Total	**12.510.867**	**7.553.608**	**8.279.715**	**12.663.132**	**66.414.468**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration.

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

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	31.503.994	-	4.817.784	-	15.905.422	56.500.118	72.835.012	120.409	-	-	522.378
2. Exposures After Credit Risk Mitigation	38.524.655	-	2.466.405	3.540.454	10.454.821	46.067.807	68.027.116	120.309	-	-	522.378

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

Information by major sectors and type of counterparties:

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

Current Period	Loans(*)			Provisions	
	Impaired Loans (TFRS 9)				
Major Sectors / Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Non-Performing (Regulation of Provision)	Provision For Expected Losses of Credit	(Regulation of Provision)
1. Agriculture	**466.738**	**219.393**	**-**	**172.037**	**-**
1.1. Farming and Livestock	460.859	216.049	-	169.013	-
1.2. Forestation	146	621	-	374	-
1.3. Fishing	5.733	2.723	-	2.650	-
2. Industrial	**1.366.804**	**941.265**	**-**	**1.181.425**	**-**
2.1. Mining and Quarrying	41.140	7.452	-	9.204	-
2.2. Manufacturing Industry	1.025.218	932.428	-	878.963	-
2.3. Electricity, Gas, Water	300.446	1.385	-	293.258	-
3. Construction	**1.191.113**	**455.499**	**-**	**453.671**	**-**
4. Services	**3.729.742**	**2.002.453**	**-**	**2.140.214**	**-**
4.1. Wholesale and Retail Commerce	1.427.349	1.497.816	-	1.308.354	-
4.2. Hotel and Restaurant Services	537.407	188.419	-	236.235	-
4.3. Transportation and Communication	306.748	120.086	-	122.717	-
4.4. Financial Corporations	754.402	23.425	-	211.790	-
4.5. Real Estate and Loan Services	69.278	20.207	-	27.611	-
4.6. Independent Business Services	463.980	75.831	-	144.895	-
4.7. Education Services	88.722	34.643	-	43.273	-
4.8. Health and Social Services	81.856	42.026	-	45.339	-
5. Other	**3.162.964**	**2.536.642**	**-**	**2.421.931**	**-**
6. Total	**9.917.361**	**6.155.252**	**-**	**6.369.278**	**-**

(*) Represents the distribution of cash loans.

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

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

(*) Represents the distribution of cash loans.

Movements in value adjustments and provisions

Current Period	Opening Balance	TFRS 9 Transition Effect	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Special Provision	3.529.821	(149.130)	1.816.666	(341.007)	(110.214)	4.746.136
2. General Provisions	1.396.268	856.346	600.792			2.853.495

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

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Special Provision	3.227.857	1.487.756	(431.207)	(754.585)	3.529.821
2. General Provisions	1.288.394	107.874	-	-	1.396.268

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

Exposures subject to countercyclical capital buffer:

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

Information on private sector receivables:

Current Period Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	97.315.234	-	97.315.234
Malta	405.321	-	405.321
Other	40.844	-	40.844
Total	**97.761.399**	**-**	**97.761.399**

Prior Period Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	73.872.823	-	73.872.823
Malta	273.819	-	273.819
Other	101.438	-	101.438
Total	**74.248.080**	**-**	**74.248.080**

2. Risk Management and General Disclosures regarding Risk Weighted Amounts

2.1. GBA – Risk Management Approach of the Group

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

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

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

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

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

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

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

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

The Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under three main sections 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 Bank risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Bank has and controls relevant to them during audit works.

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

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

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

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

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

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

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

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

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

d) Key elements and scope of Risk Measurement Systems

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

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

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

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; and
- Providing for the disclosure of information regarding the type and level of the market risk assumed and for the implementation of policies for the management thereof.

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

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

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

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

- Derivative products exposures by segments, stress testing; and
- Credit risk information regarding subsidiaries.

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

Reports are prepared daily and indicatively include the following:

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

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

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; and
- To perform tests to the existing portfolio based on past extreme situations.

Trading book consists of Financial Assets at Fair Value Through Profit or Loss securities, Financial Assets at Fair Value Through Profit or Loss 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 Monitoing processes of continuing effects of protection and mitigation

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

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

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

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

II.2 GB1 – Overview of Risk Weighted Assets:

		Risk Weighted Amount		Minimum Capital Requirement	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
1	Credit Risk (excluding counterparty Credit Risk)	106.848.199	81.920.527	8.547.856	6.553.642
2	Standardized approach	106.848.199	81.920.527	8.547.856	6.553.642
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	3.687.514	1.879.275	295.001	150.342
5	Standardized approach for counterparty credit Risk	3.687.514	1.879.275	295.001	150.342
6	Internal model method	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-	-
11	Settlement risk	-		-	-
12	Securitization positions in banking accounts	-		-	-
13	IRB ratings-based approach	-		-	-
14	IRB Supervisory Formula Approach	-		-	-
15	SA/simplified supervisory formula approach	-		-	-
16	Market risk	1.778.238	1.715.437	142.259	137.235
17	Standardized approach	1.778.238	1.715.437	142.259	137.235
18	Internal model approaches	-	-	-	-
19	Operational Risk	10.000.978	8.810.269	800.078	704.822
20	Basic Indicator Approach	10.000.978	8.810.269	800.078	704.822
21	Standard Approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24	Floor adjustment	-	-	-	-
25	**TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)**	**122.314.929**	**94.325.508**	**9.785.194**	**7.546.041**

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

3.Linkages between financial statements and risk amount

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

		Carrying values of items in accordance with TAS				
Current Period	Financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with the Central Bank	18.474.301	18.511.442	-	-	-	-
Trading Financial Assets(*)	5.481.286	-	5.474.025	-	5.070.007	-
Financial Assets at Fair Value Through Profit or Loss	28.450	-	-	-	28.450	-
Banks	1.231.644	1.232.085	-	-	-	-
Money Market Placements	102.065	2.000	100.070	-	-	-
Financial Assets Available-for-Sale (Net)	8.444.055	8.444.055	2.814.590	-	-	-
Loans and Receivables	94.018.022	96.620.453	-	-	-	83.538
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (Net)	12.895.116	12.932.193	3.673.636	-	-	-
Investment in Associates (Net)	5.982	5.982	-	-	-	-
Investment in Subsidiaries (Net)	1.141.248	1.141.248	-	-	-	-
Investment in Joint ventures (Net)	151.473	151.473	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging(*)	6.964.254	-	6.964.254	-	-	-
Property And Equipment (Net)	2.861.922	2.794.046	-	-	-	67.876
Intangible Assets (Net)	397.179	26.215	-	-	-	370.964
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	522.283	522.283	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	4.696.455	4.698.463	-	-	-	-
TOTAL ASSETS	**157.415.735**	**147.081.938**	**19.026.575**	**-**	**5.098.457**	**522.378**
Liabilities						
Deposits	87.090.453	-	-	-	-	87.090.453
Derivative Financial Liabilities Held for Trading(**)	5.731.640	-	-	-	4.912.695	818.945
Funds Borrowed	18.166.249	-	-	-	-	18.166.249
Money Markets	4.714.819	-	4.714.819	-	-	-
Marketable Securities Issued	8.904.455	-	-	-	-	8.904.455
Funds	-	-	-	-	-	-
Miscellaneous Payables(***)	9.182.085	-	-	-	-	9.182.085
Other Liabilities(***)	2.667.019	-	-	-	-	2.667.019
Factoring Payables	-	-	-	-	-	-
Lease Payables	24.623	-	-	-	-	24.623
Derivative Financial Liabilities Held For Hedging(**)	606.765	-	-	-	-	606.765
Provisions	789.818	-	-	-	-	789.818
Tax Liability	149.662	-	-	-	-	149.662
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Loans	4.816.098	-	-	-	-	4.816.098
Shareholder's Equity	14.572.049	-	-	-	-	14.572.049
TOTAL LIABILITIES	**157.415.735**	**-**	**4.714.819**	**-**	**4.912.695**	**147.788.221**

(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.
(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.
(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

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

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

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

3.3 B2-The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements:

	Current period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	171.206.970	147.081.938	-	19.026.575	5.098.457
2	Liabilities carrying value amount under regulatory scope of consolidation	9.627.514	-	-	4.714.819	4.912.695
3	Total net amount under regulatory scope of consolidation	161.579.456	147.081.938	-	14.311.756	185.762
4	Off-Balance Sheet Amounts	91.214.862	18.485.121	-	-	-
5	Differences due to different netting rules	1.592.476	-	-	-	1.592.476
6	Repo transactions	69.905	-	-	69.905	-
7	Potential credit risk amount calculated for the counterparty	-	-	-	1.494.161	-
8	Differences due to credit risk reduction	(12.241.314)	(2.085.090)	-	(10.156.224)	-
	Risk Amounts	**-**	**163.481.969**	**-**	**5.719.598**	**1.778.238**

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

3.3 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 "Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)". There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.

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

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

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

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

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

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

Value at market risk of the Bank is reached through the determination of amounts related to market risk in scope of Basel II 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); and
- 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 Financial Assets at Fair Value through Profit/Loss portfolio cannot be treated as of reporting date, it is evaluated over the price determined in scope of precautionary principles.

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

Definition of independent price approval processes:

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

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

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

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

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

TL borrowing instruments included in securities portfolio of Financial Assets at Fair Value through Profit/Loss 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.

4. Credit Risk Disclosures

4.1 General Information on Credit Risk

4.1.1. CRA – General Qualitative Information on Credit Risk

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

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

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

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

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

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

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

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

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

Main responsibilities of Credit Risk Management Department are as follows:

- To establish risk management policies and strategies related to risks exposed by the Group and to submit those policies and strategies for the approval of Board of Directors Risk Committee;
- To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at group level to senior management;
- To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Bank;
- To make periodic stress tests and scenario analysis and establish early warning systems;
- To support decision-making processes of the Bank through providing reviews and risk point of view with respect to risk management;
- 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;
- To develop of forecasting models/approaches and the measurement monitoring of portfolio credit risk through Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD); and
- Implementation of risk based Credit Classification and Expected Credit Loss (ECL) calculations under TFRS 9, determination of credit risk measurement framework, development and implementation of relevant models / approaches.

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; and
- 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.

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

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, stage 3, stage 2, 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.

4.2 CR1 – Credit quality of assets:

		Gross carrying values of as per TAS			
	Current Period	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values
1	Loans	6.155.252	95.294.876	4.746.136	**96.703.992**
2	Debt Securities	-	21.258.077	-	**21.258.077**
3	Off-balance sheet Exposures	-	60.332.135	50.116	**60.282.019**
4	**Total**	**6.155.252**	**176.885.088**	**4.796.252**	**178.244.088**

		Gross carrying values of as per TAS			
	Prior Period	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values (a+b-c)
1	Loans	4.330.104	81.882.776	3.529.821	82.683.059
2	Debt Securities	-	15.442.571	-	15.442.571
3	Off-balance sheet exposures	-	50.077.135	45.014	50.032.121
4	**Total**	**4.330.104**	**147.402.482**	**3.574.835**	**148.157.751**

1.3. 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	4.330.104	3.840.927
2	Loans and debt securities that have defaulted since the last reporting period	3.355.909	2.151.271
3	Returned to non-defaulted status	-	-
4	Amounts written off(*)	110.214	752.070
5	Other changes(**)	1.420.547	910.024
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**6.155.252**	**4.330.104**

(*) There is not the sale of legal follow-up loans receivable amounting to in the current period. (December 31, 2017-TL 745.739)
(**) Includes collections from credits in default.

4.4 CRB – Additional disclosures related to credit quality of assets:

a) The criteria taken into consideration by the Bank in determining the impairment are explained in footnote VIII of the third section. 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) The Bank’s specific provision calculation is explained in footnote VIII of the third section.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 then receivables in aforementioned scope are identified as “restructured receivables”.

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

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

Exposures provisioned against by major regions:

Country	Current Period	Prior Period
Turkey	94.768.174	81.441.381
European Union (EU) Countries	426.822	288.469
USA,Canada	22.376	9.352
OECD Countries	3	42
Off-Shore Banking Regions	19.973	30.608
Other Countries	57.528	112.924
Total	**95.294.876**	**81.882.776**

Exposures provisioned against by major sectors:

	Current Period	Prior Period
1. Agricultural	**2.538.528**	**2.559.872**
1.1. Farming and raising livestock	2.337.406	2.416.952
1.2. Forestry	5.629	6.145
1.3. Fishing	195.493	136.775
2. Manufacturing	**16.371.069**	**13.660.869**
2.1. Mining and Quarrying	283.274	274.415
2.2. Production	12.360.435	10.589.748
2.3. Electricity, Gas, Water	3.727.360	2.796.706
3. Construction	**5.853.595**	**7.486.808**
4. Services	**38.883.649**	**30.175.468**
4.1 Wholesale and retail trade	14.396.553	14.308.792
4.2 Hotel, food and beverage services	3.434.383	2.634.086
4.3 Transportation and telecommunication	9.215.542	5.162.942
4.4 Financial institutions	6.935.904	4.295.605
4.5 Real estate and leasing services	350.168	350.288
4.6 Self-employment services	1.535.336	1.285.693
4.7 Education services	375.746	358.867
4.8 Health and social services	2.640.017	1.779.195
5. Other	**31.648.035**	**27.999.759**
6. Total	**95.294.876**	**81.882.776**

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(*)	-	18.415.746	8.420.975	24.482.569	29.598.378	11.691.238	92.608.906

Prior period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	55 Years and Over	Total
Loans and Receivables	-	15.569.639	5.942.700	23.253.334	28.518.244	8.598.859	81.882.776

(*) Provision amounts have been deducted from current period balances.

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

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

Loan Amounts provisioned on the basis of by geographical regiaons Loans written off during the assets

Current Period	Loans Subject to Provision	Provision	Written-off from Assets
Turkey	6.124.876	4.729.071	110.214
European Union (EU) Countries	16.192	2.882	-
USA,Canada	-	-	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	14.164	14.164	-
Other Countries	20	19	-
Total	**6.155.252**	**4.746.136**	**110.214**

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

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

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

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

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

	December 31, 2018			December 31, 2017		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	**219.393**	**123.276**	**4**	**113.483**	**71.727**	**13.427**
1.1. Farming and Raising Livestock	216.049	120.708	4	111.805	70.444	12.924
1.2. Forestry	621	364	-	249	103	41
1.3. Fishing	2.723	2.204	-	1.429	1.180	462
2. Industrial	**941.265**	**686.919**	**18**	**585.236**	**479.638**	**114.994**
2.1. Mining and Quarrying	7.452	5.567	-	6.482	5.664	1.852
2.2. Production	932.428	680.182	18	578.452	473.673	111.937
2.3. Electricity, Gas, Water	1.385	1.170	-	302	301	1.205
3. Construction	**455.499**	**273.786**	**6**	**274.562**	**218.450**	**66.954**
4. Services	**2.002.453**	**1.467.989**	**106.284**	**1.338.988**	**1.010.306**	**198.291**
4.1. Wholesale and Retail Trade	1.497.816	1.106.253	154	1.024.853	775.398	183.318
4.2. Hotel, Food and Beverage Services	188.419	129.239	8	131.158	94.201	4.075
4.3. Transportation and Communication	120.086	82.683	106.122	65.326	47.973	6.106
4.4. Financial Institutions	23.425	18.193	-	18.750	14.939	503
4.5. Real Estate and Renting Services	20.207	14.434	-	14.732	7.348	100
4.6. Self-Employment Services	75.831	55.216	-	40.161	31.450	3.284
4.7. Educational Services	34.643	28.576	-	20.643	18.788	53
4.8. Health and Social Services	42.026	33.395	-	23.365	20.209	852
5. Other	**2.536.642**	**2.194.166**	**3.902**	**2.017.835**	**1.749.700**	**358.404**
6. Total	**6.155.252**	**4.746.136**	**110.214**	**4.330.104**	**3.529.821**	**752.070**

g) Aging Analysis

Overdue Days	Current Period	Prior Period
0-30	92.725.903	80.103.182
31-60	1.633.574	1.015.201
61-90	935.399	764.393
90+	6.155.252	4.330.104
Total	**101.450.128**	**86.212.880**

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	-	-	91.417
Non- reserved Loans (*)	1.127.050	4.297.570	-
Total	**1.127.050**	**4.297.570**	**91.417**

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

Prior 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.

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

5. Credit Risk Mitigation

5.1 CRC - Qualitative disclosure on credit risk mitigation techniques

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

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.

5.2 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	93.352.575	3.351.417	1.772.578	-	-	-	-
2	Debt securities	21.258.077	-	-	-	-	-	-
3	**TOTAL**	**114.610.652**	**3.351.417**	**1.772.578**	**-**	**-**	**-**	**-**
4	Of which defaulted	1.381.892	27.224	2.279	-	-	-	-

	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	80.044.102	2.638.957	1.377.231	-	-	-	-
2	Debt securities	15.442.571	-	-	-	-	-	-
3	**TOTAL**	**95.486.673**	**2.638.957**	**1.377.231**	**-**	**-**	**-**	**-**
4	Of which defaulted	790.927	9.356	245	-	-	-	-

6. Credit risk when standard approach is used

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

a) Marks of Fitch credit rating institution are used in credit risk standard approach calculations.

b) Centralized administrations and Banks take CRA marks into account for risk classes.

c) Mark is assigned to a debtor by taking for all assets of the debtor into account.

d) CRA, which is not included in twinning table of the institution, is not used.

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

6.2. CR4 – Standard Approach– Credit risk exposure and credit risk mitigation (CRM) effects

	Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	37.526.392	-	44.547.053	-	7.760.540	17%
2	Exposures to regional governments or local authorities	83.573	65	83.573	-	41.787	50%
3	Exposures to public sector entities	204.463	45.137	141.578	19.883	161.461	100%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to institutions	4.462.398	1.929.416	4.394.944	1.413.199	3.133.645	54%
7	Exposures to corporates	39.694.142	27.337.106	37.122.419	13.663.624	50.786.043	100%
8	Retail exposures	49.183.082	61.060.073	43.094.187	2.962.917	34.542.825	75%
9	Exposures secured by residential property	3.529.987	385.720	3.529.986	10.468	1.239.159	35%
10	Exposures secured by commercial real estate	2.453.558	171.553	2.453.558	101.996	1.277.777	50%
11	Past-due loans	1.308.493	-	1.306.314	-	940.071	72%
12	Higher-risk categories by the Agency Board	119.258	6.044	119.158	520	179.517	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	0%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
16	Other assets	7.099.718	279.748	7.099.718	-	5.368.500	76%
17	Investments in equities	1.416.874	-	1.416.874	-	1.416.874	100%
18	**Total**	**147.081.938**	**91.214.862**	**145.309.362**	**18.172.607**	**106.848.199**	**65%**

	Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	29.318.853	-	38.133.718	-	5.592.205	15%
2	Exposures to regional governments or local authorities	5.284	211	5.284	29	2.657	50%
3	Exposures to public sector entities	17.953	134.296	17.504	55.345	72.849	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	3.692.421	1.009.129	3.774.877	510.418	2.867.710	67%
7	Exposures to corporates	29.130.897	21.262.475	26.225.556	9.933.996	36.159.551	100%
8	Retail exposures	42.834.542	49.750.216	35.594.103	2.767.632	28.771.302	75%
9	Exposures secured by residential property	5.867.529	533.143	5.867.529	35.324	2.065.998	35%
10	Exposures secured by commercial real estate	2.932.083	229.006	2.932.082	116.160	1.524.122	50%
11	Past-due loans	800.278	-	800.033	-	626.867	78%
12	Higher-risk categories by the Agency Board	1.185	4.192	1.184	230	2.122	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	4.397.965	-	4.269.888	-	4.157.607	97%
17	Investments in equities	977.304	-	977.304	-	77.537	8%
18	**Total**	**119.976.294**	**72.922.668**	**118.599.062**	**13.419.134**	**81.920.527**	**62%**

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

6.3. CR5 – Standard approach – exposures by asset classes and risk

Current Period

	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount (*)
1	Exposures to central governments or central banks	36.786.513	-	-	-	-	-	7.760.540	-	-	44.547.053
2	Exposures to regional governments or local authorities	-	-	-	-	83.573	-	-	-	-	83.573
3	Exposures to public sector entities	-	-	-	-	-	-	161.461	-	-	161.461
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1.443.636	-	3.039.179	-	1.325.328	-	-	5.808.143
7	Exposures to corporates	-	-	-	-	-	-	50.786.043	-	-	50.786.043
8	Retail exposures	-	-	-	-	-	46.057.104	-	-	-	46.057.104
9	Exposures secured by residential property	-	-	-	3.540.454	-	-	-	-	-	3.540.454
10	Exposures secured by commercial real estate	-	-	-	-	2.555.554	-	-	-	-	2.555.554
11	Past-due loans	-	-	-	-	732.487	-	573.827	-	-	1.306.314
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	119.678	-	119.678
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	-	-	-	-	-	-	1.416.874	-	-	1.416.874
17	Other Assetd	1.731.217	-	2	-	-	-	5.368.499	-	-	7.099.718
18	**Total**	**38.517.730**	**-**	**1.443.638**	**3.540.454**	**6.410.793**	**46.057.104**	**67.392.572**	**119.678**	**-**	**163.481.969**

Prior Period

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

7. Disclosures regarding counterparty credit risk

7.1 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 within the framework of the Counterparty Credit Policy approved by the Board of Directors. In this policy, the scope of the CCR, the risk calculation method, and the distribution of responsibility distribution were determined. The general lines determined in the CCR policy are detailed with the Derivative Products Application Instructions.

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

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

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

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

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

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

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

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

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

7.2 CCR1 – Assessment of Counterparty Credit Risk according to the models of measurement

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	8.063.385	1.494.161	-	1,4	3.974.460	2.247.225
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)	-	-	-	-	1.745.138	622.861
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	**Total**	**-**	**-**	**-**	**-**	**-**	**2.870.086**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	3.519.845	1.273.502	-	1,4	2.134.883	1.137.301
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	1.386.569	421.828
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	1.559.129

7.3 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	3.974.460	2.134.883	817.428	320.146
4	**Total amount of CVA capital adequacy**	**3.974.460**	**2.134.883**	**817.428**	**320.146**

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

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

Current Period

	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1	Exposures from central governments or central banks	6.925	-	-	-	-	-	-	-	6.925
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	2	-	-	2
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	1.022.767	4.044.028	-	16.475	-	-	5.083.270
7	Exposures from corporates	-	-	-	-	-	618.067	-	-	618.067
8	Retail receivables	-	-	-	-	10.703	-	-	-	10.703
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	631	-	631
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**	**6.925**	**-**	**1.022.767**	**4.044.028**	**10.703**	**634.544**	**631**	**-**	**5.719.598**

Prior Period

	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1	Exposures from central governments or central banks	53.577	-	-	-	-	-	-	-	53.577
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	1	-	-	1
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	1.034.453	2.160.217	-	127	-	-	3.194.797
7	Exposures from corporates	-	-	-	-	-	267.407	-	-	267.407
8	Retail receivables	-	-	-	-	5.213	-	-	-	5.213
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	457	-	457
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking invest-ments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	**Total**	**53.577**	**-**	**1.034.453**	**2.160.217**	**5.213**	**267.535**	**457**	**-**	**3.521.452**

7.5 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, 2017 – None).

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

7.6 CCR5 – Composition of collateral for CCR exposure:

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
Current Period	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**	**Collaterals Taken**	**Collaterals Given**
Cash-Local Currency	-	-	-	-	92.273	-
Cash - Foreign Currency	-	6.140.938	-	2.124.008	4.622.546	-
Government bond-domestic	-	-	-	-	100.070	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**6.140.938**	**-**	**2.124.008**	**4.814.889**	**-**

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
Prior Peiod	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**	**Collaterals Taken**	**Collaterals Given**
Cash-Local Currency	-	-	-	-	1.808.565	-
Cash - Foreign Currency	-	2.917.839	-	378.497	4.656.982	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**2.917.839**	**-**	**378.497**	**6.465.547**	**-**

7.7 CCR6 – Credit derivatives exposures

Related table is not presented due to the Bank has no risk arrived from derivative credit received or sold. (December 31, 2017 - None)

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

Related table is not presented due to usage of standard approach for the calculation of capital adequacy by the Bank (December 31, 2017-None)

I) CCR8 – Exposures to central counterparties

Related table is not presented due to the Bank has no risk against to counterparty (December 31, 2017 - None)

8. Securitization exposures:

The Parent Bank has no securitization transactions. (December 31, 2017 - None)

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

9. Disclosures regarding Consolidated Market Risk

9.1 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. Financial Assets at Fair Value through Profit/Loss accounts covers all derivative products except for financial assets held for trading, open exchange position and having hedging purposes.

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

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

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

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

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

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

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

9.2. PR1 –Market risk under standardized approach:

		RWA(**)	
		Current Period (Thousand TL)	**Prior Period (Thousand TL)**
	Outright products (*)	1.751.713	1.692.538
1	*Interest rate risk (general and specific)*	*1.457.750*	*1.421.063*
2	*Equity risk (general and specific)*	*14.150*	-
3	*Foreign exchange risk*	*279.350*	*270.438*
4	*Commodity risk*	*463*	*1.037*
	Options	26.525	22.900
5	*Simplified approach*	-	-
6	*Delta-plus method*	*26.525*	*22.900*
7	*Scenario approach*	-	-
8	Securitization	-	-
9	**Total**	**1.778.238**	**1.715.438**

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

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

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

10. Explanations Related to the Operational Risk

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2017,2016 2015 and 2018, 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, 2018, the total amount subject to operational risk is TL 10.000.978 TL'dir (December 31, 2017 - TL 8.810.269).

Current Period Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total / No. of Years of Positive Gross	Rate (%)	Total
Gross Income	4.610.359	5.233.051	6.158.155	5.333.855	15	800.078
Value at operational risk (Total*12,5)						**10.000.978**
Prior Year Basic Indicator Method	**2 PP Amount**	**1 PP Amount**	**CP Amount**	**Total / No. of Years of Positive Gross**	**Rate (%)**	**Total**
Gross Income	4.315.893	4.547.487	5.233.050	4.698.810	15	704.822
Value at operational risk (Total*12,5)						**8.810.269**

The annual gross income is composed of net interest income and net non-interest income after deducting realized gains/ losses from the disposal of Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI), extraordinary income and income derived from insurance claims at year-end.

III. Explanations on Foreign Currency Exchange Rate Risk

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

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

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

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

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

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

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

US Dollar purchase rate at the date of the balance sheet	5,2609 TL
Euro purchase rate at the date of the balance sheet	6,0280 TL

Date	US Dollar	Euro
December 31, 2018	5,2609	6,0280
December 28, 2018	5,2889	6,0245
December 27, 2018	5,2832	6,0185
December 26, 2018	5,3034	6,0419
December 25, 2018	5,2926	6,0291

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

The arithmetical average of the Bank's US Dollar and Euro purchase rates for December 2018 are TL 5,3061 and TL 6,0387 respectively.

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

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

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank (1)	8.698.390	5.933.093	2.057.242	16.688.725
Due From Banks	264.428	725.428	41.676	1.031.532
Financial Assets at Fair Value through Profit/Loss (2)	289.601	247.746	132	537.479
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	513.387	3.385.031	-	3.898.418
Loans and Receivables (3)	17.890.294	13.197.240	177.455	31.264.989
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	175.108	4.840.580	-	5.015.688
Derivative Financial Assets Hedging Purposes	2.049	142.207	-	144.256
Tangible Assets	-	-	61	61
Intangible Assets	-	-	-	-
Other Assets (4)	1.152.474	1.035.839	559	2.188.872
Total Assets	**28.985.731**	**29.507.164**	**2.277.125**	**60.770.020**
Liabilities				
Bank Deposits	1.105.303	2.361.406	84.892	3.551.601
Foreign Currency Deposits (5)	9.877.384	26.287.374	2.585.729	38.750.487
Money Market Borrowings	312.287	4.310.259	-	4.622.546
Funds Provided from Other Financial Institutions	6.146.505	14.846.158	1.851.299	22.843.962
Securities Issues	331.861	6.308.417	57.398	6.697.676
Sundry Creditors	5.600.679	608.092	3.156	6.211.927
Derivative Fin. Liabilities for Hedging Purposes	64.544	227.492	-	292.036
Other Liabilities (6)	374.256	493.294	3.248	870.798
Total Liabilities	**23.812.819**	**55.442.492**	**4.585.722**	**83.841.033**
Net Balance Sheet Position	**5.172.912**	**(25.935.328)**	**(2.308.597)**	**(23.071.013)**
Net Off-Balance Sheet Position	**(5.220.847)**	**25.331.458**	**2.307.317**	**22.417.928**
Financial Derivative Assets	16.634.448	70.688.044	2.403.103	**89.725.595**
Financial Derivative Liabilities	21.855.295	45.356.586	95.786	**67.307.667**
Non-Cash Loans (7)	**7.367.223**	**7.133.391**	**443.815**	**14.944.429**
Prior Period				
Total Assets	17.450.988	25.532.684	1.970.217	44.953.889
Total Liabilities	16.130.845	45.893.929	4.079.488	66.104.262
Net Balance Sheet Position	**1.320.143**	**(20.361.245)**	**(2.109.271)**	**(21.150.373)**
Net Off-Balance Sheet Position	**(1.357.497)**	**18.626.089**	**2.111.085**	**19.379.677**
Financial Derivative Assets	9.121.509	57.707.230	2.286.793	69.115.532
Financial Derivative Liabilities	10.479.006	39.081.141	175.708	49.735.855
Non-Cash Loans (7)	4.724.545	5.457.980	293.108	10.475.633

(1) Cash and Balances with TR Central Bank; Other FC include TL 1.799.886 (December 31, 2017 – TL 2.020.547) precious metal deposit account.
(2) Does not include TL 57.113 (December 31, 2017 – TL 53.594) of currency income accruals arising from derivative transactions.
(3) Includes 2.162.619 TL (December 31, 2017 – TL 3.382.889) FC indexed loans.
(4) Does not include FC prepaid expenses amounting to TL 11.258 (December 31, 2017 – TL 9.192) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006.
(5) Other foreign currency includes TL 1.862.513 (December 31, 2017 – TL 1.198.394) of precious metal deposit account.
(6) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 75.265 (December 31, 2017 – TL 22.830)
(7) Does not have an effect on Net Off-Balance Sheet Position.

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

6. Sensitivity to Foreign Exchange Risk

The Bank is mainly exposed to EUR and USD currencies.

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

	Change in Currency rate in %	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity (*)	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity (*)
		Current Period	Current Period	Prior Period	Prior Period
US Dollar	10% increase	(16.338)	(49.726)	(8.628)	(22.976)
	10% decrease	16.338	49.726	8.628	22.976
EURO	10% increase	(3.739)	(7.034)	(3.224)	(2.988)
	10% decrease	3.739	7.034	3.224	2.988

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

IV. Explanations on Interest Rate Risk

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

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

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

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

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[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	6.948.671	-	-	-	-	11.525.630	18.474.301
Due from Banks	231.261	-	77	-	-	1.000.306	1.231.644
Financial Assets at Fair Value Through Profit/Loss (**)	-	374	1.109	11.814	7.703	9.638.945	9.659.945
Money Market Placements	100.065	-	2.000	-	-	-	102.065
Inv. Securities Available for Sale	293.702	537.796	3.121.016	1.944.080	2.689.994	2.671.512	11.258.100
Loans and Receivables	28.263.491	10.330.220	25.370.432	22.332.338	3.418.528	4.303.013	94.018.022
Inv. Securities Held to Maturity	1.302.442	1.696.535	3.692.648	1.684.718	3.543.329	975.444	12.895.116
Other Assets	-	-	-	-	-	9.776.542	9.776.542
Total Assets	**37.139.632**	**12.564.925**	**32.187.282**	**25.972.950**	**9.659.554**	**39.891.392**	**157.415.735**
Liabilities							
Bank Deposits	2.399.562	660.153	53.659	-	-	564.208	3.677.582
Other Deposits	45.406.323	15.952.389	6.055.592	150.735	164	15.847.668	83.412.871
Money Market Borrowings	1.700.050	1.712.362	1.199.840	41.625	37.132	23.810	4.714.819
Sundry Creditors	6.211.927	-	-	-	-	2.970.158	9.182.085
Securities Issued	1.220.426	1.317.894	2.680.000	3.639.506	-	46.629	8.904.455
Funds Borrowed	2.957.988	5.983.726	11.544.584	376.377	2.117.695	1.977	22.982.347
Other Liabilities (***)	1.222	2.539	11.242	21.444	-	24.505.129	24.541.576
Total Liabilities	**59.897.498**	**25.629.063**	**21.544.917**	**4.229.687**	**2.154.991**	**43.959.579**	**157.415.735**
On Balance Sheet Long Position	-	-	10.642.365	21.743.263	7.504.563	-	39.890.191
On Balance Sheet Short Position	(22.757.866)	(13.064.138)	-	-	-	(4.068.187)	(39.890.191)
Off-Balance Sheet Long Position	5.263.926	21.607.361	1.915.396	-	-	-	28.786.683
Off-Balance Sheet Short Position	-	-	-	(15.205.275)	(7.277.663)	-	(22.482.938)
Total Position	**(17.493.940)**	**8.543.223**	**12.557.761**	**6.537.988**	**226.900**	**(4.068.187)**	**6.303.745**

(1) Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 37.141 expected loss provisions.
(3) Banks include balance of expected loss provisions amounting to TL 441.
(4) Financial Assets at Fair Value Through Profit/Loss include TL 12.445.540 derivative financial assets used for hedging purposes.
(5) Receivables from Money Markets include the balance of expected loss provisions of TL 5.
(6) Financial Assets at Fair Value Through Other Comprehensive Income include 2.814.045 derivative financial assets used for hedging purposes.
(7) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 37.077.
(8) Other Liabilities include derivative Financial Assets Measured at Fair Value through Other Comprehensive Incomeused for hedging purposes amounting to TL 236.048.

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

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

(1) Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(2) Financial Assets at Fair Value through Profit/Loss include TL 2.923.877 derivative financial assets used for hedging purposes.
(3) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 529.323.

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

Average interest rates applied to monetary financial instruments

Current Period	EURO %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	2,00	-	13,00
Due from Banks	-	1,36	-	23,69
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	2,05	6,64	-	18,90
Money Market Placements	-	-	-	25,52
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	3,52	5,00	-	20,91
Loans and Receivables	4,81	7,26	2,39	21,01
Financial Assets Measured at Amortized Cost	4,84	5,27	-	25,80
Liabilities				
Bank Deposits	1,26	3,81	-	22,40
Other Deposits	1,64	4,17	0,83	22,34
Money Market Borrowings	0,24	2,43	-	16,27
Sundry Creditors	0,36	2,27	-	-
Securities Issued	1,43	5,62	-	27,62
Funds Borrowed	2,31	5,11	-	12,45

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

Interest rate risk on banking book

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

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

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

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

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

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) 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.

Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity-Losses/Equity
1. TL	(+) 500	(989.277)	(5,24)%
	(-) 400	908.962	4,82%
2. EUR	(+) 200	(128.399)	(0,68)%
	(-) 200	152.344	0,81%
3. USD	(+) 200	230.331	1,22%
	(-) 200	(244.086)	(1,19)%
Total (of negative shocks)		**817.220**	**4,33%**
Total (of positive shocks)		**(887.345)**	**(4,70)%**

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

Equity Securities (shares)	Carrying Value	Comparison Fair Value	Market Value
1. Investment in Shares- grade A	**-**	**-**	**-**
Quoted Securities	-	-	-
2. Investment in Shares- grade B	**777.308**	**-**	**777.308**
Quoted Securities	777.308	-	777.308
3. Investment in Shares- grade C	**-**	**-**	**-**
Quoted Securities	-	-	-
4. Investment in Shares- grade Other (*)	**521.395**	**474.566**	**-**

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

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
		Total	Amount under Supplementary Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1. Private Equity Investments	-	748.729	748.729	-	-	-
2. Quoted Shares	-	-	-	-	-	-
3. Other Shares	-	-	-	-	-	-
4. Total	**-**	**748.729**	**748.729**	**-**	**-**	**-**

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

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

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

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

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

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

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

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

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

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

Liquidity Coverage Ratio

	Unweighted Amounts(*)		Weighted Amounts(*)	
Current Period – December 31, 2018	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS			**29.060.194**	**17.511.509**
1. High Quality Liquid Assets	29.060.194	17.511.509	29.060.194	17.511.509
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	61.130.935	28.303.005	5.526.181	2.830.301
3. Stable deposits	11.738.259	-	586.913	-
4. Less stable deposits	49.392.676	28.303.005	4.939.268	2.830.301
5. Unsecured Funding other than Retail and Small Business Customers Deposits	27.588.944	17.541.902	17.378.712	11.523.524
6. Operational deposits	600.474	63.920	150.118	15.980
7. Non-Operational Deposits	18.965.246	13.228.604	10.667.926	7.269.484
8. Other Unsecured Funding	8.023.224	4.249.378	6.560.668	4.238.060
9. Secured funding	-	-	204.084	204.084
10. Other Cash Outflows	17.141.287	10.241.597	17.141.287	10.241.597
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	17.141.287	10.241.597	17.141.287	10.241.597
12. Debts related to the structured financial products	-	-	-	-
13. Commitment related to debts to financial markets	-	-	-	-
14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	27.953.636	1.440.807	1.397.682	72.040
15. Other irrevocable or conditionally revocable commitments	61.870.927	16.103.045	4.550.867	1.400.233
16. TOTAL CASH OUTFLOWS			**46.198.813**	**26.271.779**
CASH INFLOWS				
17. Secured Lending Transactions	26.171	-	-	-
18. Unsecured Lending Transactions	7.615.321	1.540.189	4.618.141	1.372.589
19. Other contractual cash inflows	16.845.646	14.006.156	16.845.646	14.006.156
20. TOTAL CASH INFLOWS	**24.487.138**	**15.546.345**	**21.463.787**	**15.378.745**
				Capped Amounts
21. TOTAL HIGH QUALITY LIQUID ASSETS			**29.060.194**	**17.511.509**
22. TOTAL NET CASH OUTFLOWS			**24.735.026**	**10.893.034**
23. LIQUIDITY COVERAGE RATIO (%)			**117,49%**	**160,76%**

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

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

Prior Period - December 31, 2017

		Unweighted Amounts(*)		Weighted Amounts(*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				**21.822.818**	**12.880.447**
1	High Quality Liquid Assets	26.707.639	17.765.267	21.822.818	12.880.447
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	46.441.180	18.328.818	4.090.994	1.832.882
3	Stable deposits	11.062.492	-	553.125	-
4	Less stable deposits	35.378.688	18.328.818	3.537.869	1.832.882
5	Unsecured Funding other than Retail and Small Business Customers Deposits	22.016.583	12.728.405	14.228.256	8.666.168
6	Operational deposits	498.012	22.166	124.503	5.542
7	Non-Operational Deposits	15.991.530	9.426.328	9.192.173	5.380.715
8	Other Unsecured Funding	5.527.041	3.279.911	4.911.580	3.279.911
9	Secured funding	-	-	678.271	678.271
10	Other Cash Outflows	20.239.510	13.414.099	20.239.510	13.414.099
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	20.239.510	13.414.099	20.239.510	13.414.099
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	17.337.048	-	866.852	-
15	Other irrevocable or conditionally revocable commitments	50.202.304	10.558.137	3.614.450	856.939
16	**TOTAL CASH OUTFLOWS**			**43.718.333**	**25.448.359**
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	6.248.786	1.131.328	3.606.657	867.148
19	Other contractual cash inflows	18.866.042	13.774.999	18.866.042	13.774.999
20	**TOTAL CASH INFLOWS**	**25.114.828**	**14.906.327**	**22.472.699**	**14.642.147**
				Capped Amounts	
21	**TOTAL HIGH QUALITY LIQUID ASSETS**			**21.822.818**	**12.880.447**
22	**TOTAL NET CASH OUTFLOWS**			**21.245.634**	**10.806.212**
23	**LIQUIDITY COVERAGE RATIO (%)**			**102,72%**	**119,19%**

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

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of 2018 are explained in the table below. According to "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014.

	Maximum	Week	Minimum	Week	Average
TL+FC	142,87	12.10.2018	100,79	30.11.2018	118,1
FC	254,93	12.10.2018	127,22	14.12.2018	168,3

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

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

Funding sources of the Bank mainly consist of deposits which constitute 55% of total liabilities of the bank (December 31, 2017 – 54%) and also include repo, syndication, securitization, securities issued and other instruments including subordinated debts.

The Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and 1-month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

Secured funding consists repo securized borrowing transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables above.

QNB FİNANSBANK ANONİM ŞİRKETİ

QNB FİNANSBANK ANONİM ŞİRKETİ NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 Years	5 Years and Over	Unallocated[1]	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank[2]	7.691.790	10.819.652	-	-	-	-	(37.141)	18.474.301
Due from Banks[3]	1.000.573	231.435	-	77	-	-	(441)	1.231.644
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)[4]	7.320	589.268	1.283.981	2.635.677	4.772.327	371.372		9.659.945
Money Markets Placements[5]	-	100.070	-	2.000	-	-	(5)	102.065
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)[6]	118.171	-	598.951	1.466.099	5.450.193	3.624.686	-	11.258.100
Loans and Receivables	-	18.415.746	8.420.975	24.482.569	29.598.378	11.691.238	1.409.116	94.018.022
Financial Assets Measured at Amortized Cost[7]	-	-	301.812	509.935	5.729.451	6.390.995	(37.077)	12.895.116
Other Assets	-	3.818.481	-	-	879.983	-	5.078.078	9.776.542
Total Assets	**8.817.854**	**33.974.652**	**10.605.719**	**29.096.357**	**46.430.332**	**22.078.291**	**6.412.530**	**157.415.735**
Liabilities								
Bank Deposits	555.542	2.405.999	661.864	54.177	-	-	-	3.677.582
Other Deposits	15.126.537	45.775.487	16.141.731	6.216.318	152.633	165	-	83.412.871
Funds Borrowed	-	2.602.313	1.721.218	7.109.504	5.573.686	5.975.626	-	22.982.347
Money Market Borrowings	-	1.712.058	858.893	403.237	834.281	906.350	-	4.714.819
Securities Issued	-	1.220.747	1.317.894	2.704.292	3.661.522	-	-	8.904.455
Sundry Creditors	-	2.834.669	813.908	1.888.740	3.644.768	-	-	9.182.085
Other Liabilities[8]	-	3.570.646	951.207	1.504.374	2.557.997	445.823	15.511.529	24.541.576
Total Liabilities	**15.682.079**	**60.121.919**	**22.466.715**	**19.880.642**	**16.424.887**	**7.327.964**	**15.511.529**	**157.415.735**
Liquidity Excess / Gap	**(6.864.225)**	**(26.147.267)**	**(11.860.996)**	**9.215.715**	**30.005.445**	**14.750.327**	**(9.098.999)**	**-**
Net Off Balance Sheet Position[9]	**-**	**(451.657)**	**916.705**	**2.068.254**	**2.418.444**	**31.040**	**-**	**4.982.786**
Receivables from Financial Derivative Instruments	-	18.806.542	13.979.878	22.307.730	37.623.265	18.740.181	-	111.457.596
Liabilities from Derivatives	-	19.258.199	13.063.173	20.239.476	35.204.821	18.709.141	-	106.474.810
Non-cash Loans[10]	**-**	**1.246.671**	**2.179.701**	**8.419.216**	**2.914.717**	**412.843**	**8.516.098**	**23.689.246**
Prior Period								
Total Assets	5.141.036	29.997.249	6.744.695	25.242.575	38.040.325	16.722.674	3.968.616	125.857.170
Total Liabilities	12.735.826	54.538.130	13.980.962	13.203.588	12.903.800	4.225.937	14.268.927	125.857.170
Liqudity Gap	**(7.594.790)**	**(24.540.881)**	**(7.236.267)**	**12.038.987**	**25.136.525**	**12.496.737**	**(10.300.311)**	**-**
Net-Off Balance Sheet Position[9]	**-**	**157.178**	**385.083**	**695.747**	**1.451.851**	**21.733**	**-**	**2.711.592**
Receivables from Derivative Instruments	-	16.531.491	15.524.060	23.034.807	35.951.080	7.066.467	-	98.107.905
Liabilities from Derivative Instruments	-	16.374.313	15.138.977	22.339.060	34.499.229	7.044.734	-	95.396.313
Non-cash Loans[10]	**-**	**1.100.786**	**2.055.672**	**7.089.728**	**2.717.879**	**404.698**	**5.946.286**	**19.315.049**

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column. Unallocated other liabilities include shareholders' equity amounting to TL 14.572.049 and unallocated provisions amounting to TL 789.818.
(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank inclues expected loss provisions the amont of TL 37.141.
(3) Banks include balance of expected loss provisions amounting to TL 441.
(4) Financial Assets at Fair Value Through Profit/Loss include TL 12.445.450 derivative financial assets used for hedging purposes.
(5) Receivables from Money Markets include the balance of expected loss provisions of TL 5.
(6) Financial Assets at Fair Value Through Other Comprehensive Income include 2.814.045 derivative financial assets used for hedging purposes.
(7) Financial assets measured at amortized cost include TL 37.077 of expected loss provisions.
(8) Other Liabilities include derivative Financial Assets Measured at Fair Value through Other Comprehensive Incomeused for hedging purposes amounting to TL 236.048.
(9) 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.
(10) Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

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

Analysis of financial liabilities by remaining contractual maturities

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

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	555.542	2.408.606	665.320	56.127	-	-	3.685.595	3.677.582
Other Deposits	15.126.537	45.998.380	16.481.335	6.839.246	179.722	243	84.625.463	83.412.871
Payables to Money Market	-	2.144.645	1.030.945	576.291	893.988	1.112.929	5.758.798	4.714.819
Funds from other Financial Institutions	-	2.658.993	1.775.852	7.702.160	7.095.015	7.349.602	26.581.622	22.982.347
Securities Issued	-	1.230.245	1.370.335	2.943.462	4.093.294	-	9.637.336	8.904.455
Noncash Loans(*)	8.516.098	1.246.671	2.179.701	8.419.216	2.914.717	412.843	23.689.246	23.689.246

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

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy (**)	2.400.028	902.506	602.351	727.311	-	4.632.196
Forward Contracts Sell (**)	(2.359.326)	(903.603)	(589.513)	(819.265)	-	(4.671.707)
Swap Contracts Buy (*)	14.466.035	10.755.485	20.821.697	36.895.954	18.740.181	101.679.352
Swap Contracts Sell(*)	(14.755.574)	(9.827.367)	(18.805.913)	(33.675.335)	(18.709.141)	(95.773.330)
Futures Buy	-	-	118.507	-	-	118.507
Futures Sell	-	-	(118.507)	-	-	(118.507)
Options Buy	3.043.102	2.321.887	765.175	-	-	6.130.164
Options Sell	(3.245.783)	(2.226.985)	(725.544)	-	-	(6.198.312)
Other	-	105.218	-	710.222	-	815.440
Total	**(451.518)**	**1.127.141**	**2.068.253**	**3.838.887**	**31.040**	**6.613.803**

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

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

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

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

VII. Information Regarding Leverage Ratio

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

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

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

	Book Value	
	Current Period(*)	Prior Period(*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit	145.032.426	119.310.922
(Assets deducted from capital stock)	414.129	348.391
Total risk amount related to Assets on Balance sheet	**144.618.297**	**118.962.531**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	14.012.279	6.085.823
Potential credit risk amount of derivative financial instruments and credit derivatives	1.399.021	1.277.368
Total risk amount related to derivative financial instruments and credit derivatives	**15.411.300**	**7.363.191**
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral kıymet veya emtia teminatlı finansman işlemlerinin risk tutarı	-	-
Risk amount sourcing from transactions mediated	-	-
Total risk amount related to financial transactions having security or commodity collateral	-	**-**
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	92.988.000	73.964.631
(Adjustment amount sourcing from multiplying to credit conversion rates)	26.202.861	16.486.236
Total risk amount related to off-balance sheet transactions	**66.785.139**	**57.478.395**
Capital and Total Risk		
Core Capital	14.112.759	11.429.491
Amount of total risk	226.814.736	183.804.117
Financial leverage ratio		
Financial leverage ratio	6,22%	6,22%

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

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

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

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

The fair value of financial assets measured at amortized cost 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.

Current Period	Carrying Value	Fair Value
Financial Assets	**116.728.425**	**112.696.010**
Money Market Placements	102.070	102.065
Due from Banks	1.232.085	1.231.644
Fair Value through Other Comprehensive Income (FVOCI)	8.444.055	8.444.055
Financial Assets Measured at Amortized Cost	12.932.193	12.088.537
Loans Granted	94.018.022	90.829.709
Financial Liabilities	**132.874.159**	**132.014.521**
Bank Deposits	3.677.584	3.677.752
Other Deposits	83.412.869	83.433.674
Funds from Other Financial Institutions	22.982.347	22.310.043
Payables to Money Market	4.714.819	4.714.819
Securities Issued	8.904.455	8.696.148
Other Debts	9.182.085	9.182.085

Prior Period	Carrying Value	Fair Value
Financial Assets	**99.599.123**	**98.426.744**
Money Market Placements	115.504	115.504
Due from Banks	1.292.765	1.292.765
Loans and Receivables	82.672.480	81.509.558
Available for Sale Financial Assets	8.349.710	8.349.710
Securities Held to Maturity	7.168.664	7.159.207
Financial Liabilities	**107.724.610**	**107.659.557**
Bank Deposits	2.344.879	2.344.927
Other Deposits	65.296.616	65.317.421
Funds from Other Financial Institutions	19.784.604	19.660.627
Payables to Money Market	6.489.821	6.489.821
Securities Issued	7.913.570	7.951.641
Other Debts	5.895.120	5.895.120

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

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

The classification of fair value calculation is as follows:

a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);

b) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

c) Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

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

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets	**9.008.468**	**12.681.973**	**584.599**	**22.275.040**
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)(*)	28.450	-	110.032	138.482
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)(**)	8.200.014	239.129	-	8.439.143
Subsidiaries	777.308	-	474.567	1.251.875
Derivative Financial Assets	2.696	12.442.844	-	12.445.540
Financial Liabilities	**3.073**	**6.335.332**	**-**	**6.338.405**
Derivative Financial Liabilities	3.073	6.335.332	-	6.338.405

(*) The details of the balance are amounting to TL 110.032 under Financial Assets at Fair Value Through Profit or Loss, which is disclosed in Note 6.b.2 of Section Five.
(**) The fair value difference does not include share balance amounting to TL 4,912 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

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

(*) 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	**431.081**	**295.256**
Change in total gain/loss	28.486	105.825
Accounted in income statement	-	-
Accounted in other comprehensive income	*28.486*	*105.825*
Purchases	125.032	30.000
Disposals	-	-
Matured Loans(*)	-	-
Sales from Level 3	-	-
Closing Balance	**584.599**	**431.081**

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

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

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	787.019	849.141	644.333	340.629
T.R. Central Bank	1.035.698	15.770.333	1.461.242	13.408.983
Other	-	69.251	25.365	1.720
Total	**1.822.717**	**16.688.725**	**2.130.940**	**13.751.332**

b) Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1.035.698	4.950.681	849.656	2.239.530
Restricted Time Deposits	-	10.819.652	611.586	11.169.453
Total	**1.035.698**	**15.770.333**	**1.461.242**	**13.408.983**

As of December 31, 2018 amount of TL 37.141 provision provided for the account T.R. Central Bank with adoption of TFRS 9.

As of December 31, 2018, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 1,5% to 8% depending on the maturity of deposits (December 31, 2017 – 4% to 10,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 20% depending on the maturity of deposits and other liabilities (December 31, 2017 – 4% to 24%). In accordance with the "Communiqué Regarding the Reserve Requirements", the reserve requirements can be maintained as TL, USD, EUR and standard gold.

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

a) Trading securities given as collateral or blocked

As of December 31, 2018 amount of financial assets at fair value through profit/loss which has given as collateral or blocked is TL 695 (December 31, 2017 – TL 1.113).

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

None (December 31, 2017 – None).

c) Assets on trading derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	138.487	-	43.711	-
Swap Transactions	4.750.898	400.289	2.213.649	182.290
Futures Transactions	-	2.576	-	105
Options	120	188.916	884	61.660
Other	-	-	-	-
Total	**4.889.505**	**591.781**	**2.258.244**	**244.055**

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

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

3. a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	200.550	755	12.873	844.509
Foreign	3	1.030.777	847	434.536
Foreign Head Offices and Branches	-	-	-	-
Total	**200.553**	**1.031.532**	**13.720**	**1.279.045**

As of December 31, 2018 amount of TL 441 provision provided for the Bank account with adoption of TFRS 9.

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	225.873	68.192	37.842	17.419
USA and Canada	568.966	240.799	160.682	103.924
OECD Countries (*)	1.535	2.133	-	-
Off-shore Banking Regions	-	-	-	-
Other	35.882	2.916	-	-
Total	**832.256**	**314.040**	**198.524**	**121.343**

(*) Includes OECD countries other than the EU countries, USA and Canada.
(**) Includes blocked placements amounting to TL 198.524 at foreign banks (December 31, 2017 - TL 121.343) for the funds borrowed from foreign banks.

4. Information on receivables from reverse repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	100.070	-	-	-
T.R. Central Bank	-	-	-	-
Banks	100.070	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	-	-	-	-
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	-	-	-	-
Total	100.070	-	-	-

As of December 31, 2018 amount of TL 5 provision provided for the account Receivables from Money Markets with adoption of TFRS 9.

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

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

	Current Period	
	TL	FC
Given as Collateral/ Blocked	66.853	654.173
Subject to repurchase agreements	92.213	2.722.377
Total	**159.066**	**3.376.550**

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

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

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

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

	Current Period
Debt securities	**8.742.018**
Quoted on a stock exchange(*)	8.742.018
Unquoted on a stock exchange	-
Share certificates	**118.277**
Quoted on a stock exchange	-
Unquoted on a stock exchange(**)	118.277
Impairment provision(-)(***)	**(416.240)**
Total	**8.444.055**

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

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

(*) The Eurobond Portfolio amounting to TL 2.654.262 (December 31, 2017 - TL 4.072.503) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as financial assets measured at fair value through other comprehensive income in order to be in line with balance sheet presentation.
(**) It includes 11.695 Type C Visa Inc. shares transferred to Main Partner Bank because of exchange of stock as a result of transferring of Visa Europe Ltd to Visa Inc.
(***) As a result of adoption of TFRS 9, As of December 31, 2018 amount of TL 19.492 provision provided for financial assets measured at fair value through other comprehensive income account.

6. Information related to loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	**-**	**-**	**613**	**-**
Corporate Shareholders	-	-	613	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees(*)	85.872	-	82.484	-
Total	**85.872**	**-**	**83.097**	**-**

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

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

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

b.1) Financial assets measured at amortized cost

Cash Loans(*)	Standard Loans	Loans under close monitoring		
		Loans Not Subject to restructuring	Restructured Loans	
			Loans with Revised Contract Terms	Refinance
Non-specialized Loans	**85.267.483**	**5.619.791**	**346.076**	**3.951.494**
Discount Notes	915.537	9.220	-	-
Export Loans	1.899.386	190.227	-	-
Import Loans	7.084	-	-	-
Loans Given to Financial Sector	1.049.195	402	-	-
Retail Loans	17.744.813	1.097.091	10.966	808.581
Credit Cards	12.662.694	808.356	-	606.521
Other	50.988.774	3.514.495	335.110	2.536.392
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**85.267.483**	**5.619.791**	**346.076**	**3.951.494**

Number of Extension	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
1 or 2 times	1.108.737	4.093.160
3, 4 or 5 times	15.659	136.283
Over 5 times	2.654	68.127
Total	**1.127.050**	**4.297.570**

Extension Periods	Performing Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
0-6 months	550.244	2.771.678
6-12 months	35.573	296.668
1-2 years	294.613	702.325
2-5 years	192.064	500.111
5 years and over	54.556	26.788
Total	**1.127.050**	**4.297.570**

b.2) Loans Measured at Fair Value Through Profit/Loss

In the current period, the Bank is monitoring 110.032 loan under fair value through profit and loss in accordance with TFRS 9. (December 31, 2017 – None).

	Standard Loans	Loans and other receivables under close monitoring
Provision for 12 Month Expected Credit Losses	1.062.828	-
Significant Increase in Credit Risk	-	1.623.142

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

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

		Loans Under Close Monitoring	
Cash Loans	**Standard Loans**	**Loans Not Subject to restructuring**	**Loans with Restructured Loans**
Short-term Loans	31.589.983	808.356	606.521
Medium and Long-term Loans	53.677.500	4.811.435	3.691.049
Total	**85.267.483**	**5.619.791**	**4.297.570**

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

	Short Term	Medium and Long Term	Total
Consumer Loans - TL	**1.038.660**	**16.679.302**	**17.717.962**
Housing Loans	103.718	4.715.175	4.818.893
Automobile Loans	179	16.120	16.299
Personal Need Loans	934.763	11.948.007	12.882.770
Other	-	-	-
Consumer Loans - FC Indexed	**3.863**	**1.329**	**5.192**
Housing Loans	3.582	1.242	4.824
Automobile Loans	-	-	-
Personal Need Loans	281	87	368
Other	-	-	-
Consumer Loans - FC	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	**10.722.575**	**401.040**	**11.123.615**
Installment	3.858.489	401.040	4.259.529
Non- Installment	6.864.086	-	6.864.086
Individual Credit Cards - FC	**4.632**	**-**	**4.632**
Installment	-	-	-
Non- Installment	4.632	-	4.632
Personnel Loans-TL	**6.086**	**41.449**	**47.535**
Housing Loans	41	421	462
Automobile Loans	-	-	-
Personal Need Loans	6.045	41.028	47.073
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	**36.852**	**-**	**36.852**
Installment	13.713	-	13.713
Non-Installment	23.139	-	23.139
Personnel Credit Cards - FC	**66**	**-**	**66**
Installment	-	-	-
Non-Installment	66	-	66
Overdraft Accounts - TL (Real Persons)	**1.890.762**	**-**	**1.890.762**
Overdraft Accounts - FC (Real Persons)	**-**	**-**	**-**
Total	**13.703.496**	**17.123.120**	**30.826.616**

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

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

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility – TL	**1.262.769**	**14.301.153**	**15.563.922**
Real Estate Loans	6.556	432.641	439.197
Automobile Loans	4.049	105.401	109.450
Personal Need Loans	1.252.164	13.763.111	15.015.275
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	**459.469**	**670.264**	**1.129.733**
Real Estate Loans	10.687	12.700	23.387
Automobile Loans	22.470	45.900	68.370
Personal Need Loans	426.312	611.664	1.037.976
Other	-	-	-
Commercial Loans with Installment Facility – FC	**-**	**-**	**-**
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards –TL	**2.888.533**	**23.232**	**2.911.765**
Installment	714.906	23.232	738.138
Non-Installment	2.173.627	-	2.173.627
Corporate Credit Cards –FC	**641**	**-**	**641**
Installment	-	-	-
Non-Installment	641	-	641
Overdraft Accounts-TL (Legal Entities)	**1.381.193**	**-**	**1.381.193**
Overdraft Accounts-FC (Legal Entities)	**-**	**-**	**-**
Total	**5.992.605**	**14.994.649**	**20.987.254**

f) Loans according to borrowers

	Current Period	Prior Period
Public	101.668	50.160
Private	95.193.208	81.832.616
Total	**95.294.876**	**81.882.776**

g) Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	94.768.174	81.461.750
Foreign Loans	526.702	421.026
Total	**95.294.876**	**81.882.776**

h) Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	550.705	331.694
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	**550.705**	**331.694**

i) Specific provisions for loans

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	738.748	113.483
Doubtful Loans and Other Receivables	608.313	346.348
Uncollectible Loans and Receivables	3.399.075	3.069.990
Total	**4.746.136**	**3.529.821**

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

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
Gross Amounts Before the Provisions	-	-	-
Restructured Loans	4.765	28.339	58.313
Prior Period			
Gross Amounts Before the Provisions	-	2.481	57.600
Restructured Loans	-	2.481	57.600

j.2) Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period End Balance	**567.418**	**692.696**	**3.069.990**
Additions (+)	3.001.954	212.036	141.919
Transfers from Other Categories of Non-Performing Loans (+)	-	1.841.765	1.448.875
Transfers to Other Categories of Non-Performing Loans (-)	1.841.765	1.448.875	-
Collections (-)	409.923	369.207	641.417
Write-offs (-)(*)			
Debt Sales	**-**	**-**	**110.214**
Corporate and Commercial Loans	-	-	106.122
Consumer Loans	-	-	2.176
Credit Cards	-	-	1.916
Others	-	-	-
Current Period End Balance	**1.317.684**	**928.415**	**3.909.153**
Provision (-)	738.748	608.313	3.399.075
Net Balances on Balance Sheet	**578.936**	**320.102**	**510.078**

(*)Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192.500.000.000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors.As a result of the transfer of this liability, the risk balance amounting to TL 106.122 has been left out of the balance sheet and all legal and administrative permissions have been taken and the restructured risk balance as of December 31, 2018 has been started to be followed as financial assets at fair value through profit or loss in accordance with TFRS 9.

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

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

None (December 31, 2017 - None).

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

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)(*)	**578.936**	**320.103**	**510.078**
Loans to Real Persons and Legal Entities (Gross)	1.317.684	928.415	3.876.032
Provision (-)	738.748	608.313	3.365.954
Loans to Real Persons and Legal Entities (Net)	578.936	320.102	510.078
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	33.121
Provision (-)	-	-	33.121
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	**453.935**	**346.348**	**-**
Loans to Real Persons and Legal Entities (Gross)	567.418	692.696	3.042.786
Specific provision (-)	113.483	346.348	3.042.786
Loans to Real Persons and Legal Entities (Net)	453.935	346.348	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	27.204
Specific provision (-)	-	-	27.204
Other Loans and Receivables (Net)	-	-	-

(*) Included interest accruals and valuation differences.

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)			
Interest Accruals and Valuation Differences	154.002	126.042	35.215
Provision (-)	94.342	77.214	21.573

k) Liquidation policies for uncollectible loans and other receivables

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

l) Write-off policy

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

7. Information on Financial Assets Measured at Amortized Cost

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

	Current Period	
	TL	FC
Given as Collateral / Blocked	628.100	363.462
Subject to repurchase agreements	-	3.673.636
Total	**628.100**	**4.037.098**

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

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

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

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

	Current Period	
	TL	**FC**
Government Bond	7.916.505	3.995.358
Treasury Bill	-	-
Other Debt Securities	-	288.169
Total	**7.916.505**	**4.283.527**

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

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

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

	Current Period	
	TL	**FC**
Debt Securities	**7.916.505**	**5.015.688**
Publicly-traded	7.916.505	5.015.688
Non-publicly traded	-	-
Provision for losses (-)	**-**	**-**
Total	**7.916.505**	**5.015.688**

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

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

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

	Current Period
Value at the beginning of the period(*)	**8.946.170**
Exchange differences on monetary assets	1.333.014
Acquisitions during the year	2.201.072
Disposals through sales and redemptions	(837.723)
Provision for losses (-)	-
Valuation effect	1.289.660
The sum of end of the period	**12.932.193**

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

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

As of December 31, 2018, a provision amounting to TL 37.077 is provided for the financial assets measured at amortized cost with TFRS 9 adoption.

d.2) Movements of investments held to maturity

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

8. Investments in associates (Net)

8.1. Investments in associates

a) Information on the unconsolidated subsidiaries

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

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
102.191	64.697	48.892	4.119	-	15.603	6.983	-

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

b) Information on the consolidated subsidiaries

None (December 31, 2017- None).

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

8.2. Movements of investments in associates

	Current Period	Prior Period
Balance at the Beginning of Period	3.766	3.766
Movements During the Period	-	-
Purchases	-	-
Bonus Shares Received	2.216	-
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	5.982	3.766
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

8.3. Sectoral distribution of associates

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	5.982	3.766
Total	**5.982**	**3.766**

8.4. Quoted Associates

None (December 31, 2017 - None).

8.5. Valuation methods of investments in associates

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

9. Investments in subsidiaries (Net)

a) Information on the unconsolidated subsidiaries

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

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	39.438	16.056	23.054	-	-	(4.919)	1.437	-
2.	20.156	6.148	5.466	1.070	-	3.250	(1.602)	-

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

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

b) Information on the consolidated subsidiaries

b.1) Information on the consolidated subsidiaries

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

Information on subsidiaries in the order presented in the table above

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value(*)
1.	752.695	174.792	4.772	46.568	6.685	45.781	25.680	161.840
2.	5.914.404	805.777	5.995	497.060	-	82.447	93.966	777.308
3.3.	190.823	29.019	3.960	14.217	-	(20.773)	(4.367)	-
4.	11.234	9.768	303	1.885	-	(2.171)	(451)	-
5.	1.247.133	127.125	6.069	270.453	34	37.795	15.991	105.614
6.	219	200	-	-	-	-	-	-

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

b.2) Movement of investments in subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	**724.921**	**647.572**
Movements during the period	**378.281**	**77.349**
Purchases(*)	15.000	30.000
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Increase	363.281	47.349
Impairment Provision	-	-
Balance at the End of the Period	**1.103.202**	**724.921**
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

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

b.3) Sectoral distribution of subsidiaries

	Current Period	Prior Period
Factoring Companies	105.614	93.350
Leasing Companies	777.308	445.809
Finance Companies	58.395	58.395
Other Subsidiaries	161.885	127.367
Total	**1.103.202**	**724.921**

b.4) Quoted subsidiaries within the context of consolidation

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	777.308	445.809
Quoted on International Stock Exchanges	-	-
Total	**777.308**	**445.809**

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

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

The Bank does not have any significant subsidiaries.

10. Investments in entities under common control

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

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/ Loss	Company's Fair Value
1. (*)	1.372.589	184.645	16.850	-	-	103.384	61.759	148.673
2.	83.502	53.548	35.562	-	-	15.064	11.362	-

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

11. Information on leasing receivables (Net)

None (December 31, 2017 - None).

12. Information on the hedging derivative financial assets

	Current Period(***)	
	TL	FC
Fair Value Hedge (*)	4.117.133	33.076
Cash Flow Hedge (**)	2.702.865	111.180
Foreign Net Investment Hedges	-	-
Total	**6.819.998**	**144.256**

	Prior Period	
	TL	FC
Fair Value Hedge(*)	1.964.761	14.483
Cash Flow Hedge(**)	910.958	33.675
Foreign Net Investment Hedges	-	-
Total	**2.875.719**	**48.158**

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2018, TL 31.027 from securities issued (December 31, 2017 – TL 13.675), TL 2.049 (December 31, 2017 - TL 808) from borrowings , TL 4.117.133 (December 31, 2017 – TL 1.964.761) from the fair value of derivative financial instruments used in the fair value hedging of loans. There is no fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in securities issued (December 31, 2017-None)

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

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

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

13. Explanations regarding the investment properties

	Land and Buildings	Fixed Assets Under Finance Lease	Vehicles	Other Tangible Fixed Assets	Total
Prior Year End					
Cost	1.539.037	267.677	1.937	1.402.041	3.210.693
Accumulated Depreciation (-)	49.530	240.982	1.760	980.687	1.272.959
Net Book Value	**1.489.507**	**26.695**	**177**	**421.354**	**1.937.734**
Current Year End					
Cost at the Beginning of the Period	**1.539.037**	**267.677**	**1.937**	**1.402.041**	**3.210.693**
Additions(*)	877.330	20.583	545	162.400	1.060.858
Disposals (-)	-	-	197	15.615	15.812
Impairment (-) / (increase)	402	-	-	-	402
Current Period Cost	**2.415.965**	**288.260**	**2.285**	**1.548.826**	**4.255.337**
Accumulated Depreciation at the Beginning of the Period	**49.530**	**240.982**	**1.760**	**980.687**	**1.272.959**
Disposals (-)	-	-	197	14.953	15.150
Depreciation Amount	11.787	2.461	306	121.052	135.606
Current Period Accumulated Depreciation (-)	**61.317**	**243.443**	**1.869**	**1.086.786**	**1.393.415**
Net Book Value-end of the Period	**2.354.648**	**44.817**	**416**	**462.040**	**2.861.922**

(*) As stated in footnote in 5th Section III.5.1.d, fair value exchange difference income amortized at an amount of TL 852.714 belonging to immovable property subjected to fair value hedge accounting by the Bank is shown on "Disposals" line in Property, Plant and Equipment movement statement.

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

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

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss reverse of TL 402 has been booked (December 31, 2017 - TL 288 impairment loss).

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

None (December 31, 2017- None).

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, 2017- None).

14. Explanations on intangible assets

	Rights	Goodwill	Total
Prior Period End			
Cost	986.482	-	986.482
Accumulated Amortization (-)	657.385	-	657.385
Net Book Value	**329.097**	**-**	**329.097**
Current Period End			
Cost at the Beginning of the Period	**986.482**	**-**	**986.482**
Additions	185.921	-	185.921
Disposals (-)	-	-	-
Impairment (-) / (increase)	-	-	-
Current Period Cost	**1.172.403**	**-**	**1.172.403**
Accumulated Amortization at the Beginning of the Period	**657.385**	**-**	**657.385**
Disposals (-)	-	-	-
Amortization Charge (-)	117.839	-	117.839
Current Period Accumulated Amortization (-)	**775.224**	**-**	**775.224**
Net Book Value-End of the Period	**397.179**	**-**	**397.179**

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

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, 2017 - None).

b) **Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:** None (December 31, 2017 –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, 2017- None).

d) **The book value of intangible fixed assets that are pledged or restricted for use:** None (December 31, 2017- None).

e) **Amount of purchase commitments for intangible fixed assets:** None (December 31, 2017 - None).

f) **Information on revalued intangible assets according to their types:** None (December 31, 2017 – 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 11.812 (December 31, 2017 – TL 7.559).

h) **Positive or negative consolidation goodwill on entity basis:**

None (December 31, 2017-None).

i) **Information on goodwill:**

None (December 31, 2017-None).

j) **Movements on goodwill in the current period:**

None (December 31, 2017- None).

15. Information on assets held for sale and discontinued operations

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

16. Information on Tax Asset

As of December 31, 2018, the Bank has TL 522.283 deferred tax asset calculated under the related regulations.

Deferred tax assets and liabilities are reflected to the financial statements by netting off according to TAS 12. As of December 31, 2018, the Bank has deferred tax assets amounting to TL 1.431.202 and deferred tax assets amounting to TL 908.919, which arise between the carrying amount of the assets and liabilities in the balance sheet and the tax bases determined in accordance with tax legislation and calculated over the amounts to be taken into account in the calculation of financial profit / the tax liability is netted and recorded in the records.

Deferred tax is offset against deferred tax assets or liabilities, if the differences between the carrying amount and the fair value of the related assets are related to the equity account group. The deferred tax asset amounting to TL 30.708 has been netted under equity (December 31, 2017 - TL 16.906 deferred tax asset).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Provision for Employee Rights	426.856	357.044	93.908	79.140
Difference Between the Book Value of Financial Assets and Tax Base	2.334.124	431.140	499.611	106.505
Other	3.807.650	694.212	837.683	152.136
Deferred Tax Assets			**1.431.202**	**337.781**
Difference Between the Book Value Financial Assets and Tax Base	(256.498)	(232.976)	(56.429)	(47.125)
Difference Between the Book Value of Financial Assets and Tax Base	(3.244.933)	(965.480)	(707.221)	(222.151)
Other	(660.313)	(572.883)	(145.269)	(121.569)
Deferred Tax Liabilities			**(908.919)**	**(390.845)**
Deferred Tax Assets/(Liabilities), Net			**522.283**	**(53.064)**

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

	Current Period	Prior Period
	01.01-31.12.2018	01.01-31.12.2017
Deferred Tax as of January 1 Active/ (Passive) - Net(*)	421.384	33.517
Deferred Tax (Loss) / Gain	62.129	742
Deferred Tax that is Realized Under Shareholder's Equity(*)	38.770	(87.323)
December 31, Deferred Tax Active/ (Passive) - Net	**522.283**	**(53.064)**

17. Information on assets held for sale and discontinued operations

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

18. Information on other assets

18.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Collateral Given for Derivative Transactions	2.149.355	361.684
Assets Held for Resale (Net)	879.983	512.975
Other Prepaid Expenses	576.894	474.821
Miscellaneous Receivables	296.685	262.498
Cheques Receivables from Other Banks	714.694	72.281
Prepaid rent expenses	44.788	34.406
Prepaid Agency Commissions	15.608	12.460
Advances Given	7.498	3.791
Other	12.958	11.323
Total	**4.698.463**	**1.746.239**

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

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

19. Accrued interest and income

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

	Current Period	
	TL	FC
Derivative Financial Instruments	11.709.503	736.037
Loans	2.529.745	364.154
Financial Assets measured at amortized cost	942.576	69.946
Central Bank of Turkey	60.220	-
Banks	279	-
Financial Assets at Fair Value Through Profit or Loss	136	(7)
Financial Assets at Fair Value Through Other Comprehensive Income	101.449	(331.209)
Other Accruals	1.001	7.023
Total	**15.344.909**	**845.944**

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

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

SECTION FIVE

II. Explanations And Disclosures Related To Liabilities

1. Information on maturity structure of deposits

Current Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	**2.951.929**	**-**	**4.425.049**	**16.913.430**	**4.014.224**	**1.658.762**	**2.408.105**	**1.782**	**32.373.281**
Foreign Currency	**7.997.652**	**-**	**2.584.447**	**22.134.039**	**1.625.763**	**1.394.003**	**1.152.066**	**-**	**36.887.970**
Residents in Turkey.	7.753.048	-	2.572.021	21.580.333	1.545.330	1.328.027	886.348	-	35.665.107
Residents Abroad	244.604	-	12.426	553.706	80.433	65.976	265.718	-	1.222.863
Public Sector Deposits	**313.443**	**-**	**472**	**5.062**	**346**	**-**	**148**	**-**	**319.471**
Commercial Deposits	**2.088.318**	**-**	**2.802.222**	**4.459.722**	**1.177.734**	**218.963**	**480.505**	**-**	**11.227.464**
Other Ins. Deposits	**50.544**	**-**	**39.436**	**597.919**	**27.309**	**18.487**	**8.473**	**-**	**742.168**
Precious Metal Deposits	**1.724.651**	**-**	**-**	**43.459**	**1.525**	**10.188**	**82.694**	**-**	**1.862.517**
Bank Deposits	**555.542**	**-**	**272.551**	**2.007.939**	**802.759**	**37.747**	**1.044**	**-**	**3.677.582**
T.R Central Bank.	-	-	-	-	-	-	-	-	-
Domestic Banks	21.312	-	194.669	-	-	6.187	-	-	222.168
Foreign Banks	45.049	-	77.882	2.007.939	802.759	31.560	1.044	-	2.966.233
Participation Banks	489.181	-	-	-	-	-	-	-	489.181
Other	-	-	-	-	-	-	-	-	-
Total	**15.682.079**	**-**	**10.124.177**	**46.161.570**	**7.649.660**	**3.338.150**	**4.133.035**	**1.782**	**87.090.453**

Prior Period

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

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

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

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	14.252.095	12.342.514	17.151.063	11.921.850
Foreign Currency Savings Deposits	5.146.914	3.857.126	21.042.426	14.315.461
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**19.399.009**	**16.199.640**	**38.193.489**	**26.237.311**

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

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

	Current Period	Prior Period
Deposits and accounts in branches abroad	14.541	7.440
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	71.157	15.440
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated 26, 2004	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	**85.698**	**22.880**

2. Information on trading purpose derivatives

a) Negative value of trading purpose derivatives

	Current Period (*)		Prior Period	
	TL	FC	TL	FC
Forwards	132.707	-	83.786	-
Swaps	5.162.227	292.532	1.787.817	176.523
Futures	-	2.596	-	103
Options	477	141.101	275	22.266
Other	-	-	-	-
Total	**5.295.411**	**436.229**	**1.871.878**	**198.892**

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

3. Information on funds borrowed

a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Bank and Institutions	138.385	332.637	114.947	231.647
Foreign Bank, Institutions and Funds	-	17.695.227	-	15.927.173
Total	**138.385**	**18.027.864**	**114.947**	**16.158.820**

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	138.385	3.781.300	114.947	5.706.737
Medium and Long-Term	-	14.246.564	-	10.452.083
Total	**138.385**	**18.027.864**	**114.947**	**16.158.820**

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

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

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

As of December 31, 2018, the Bank's liabilities comprise; 55% deposits (December 31, 2017 – 54%), 12% funds borrowed (December 31, 2017 – 13%), 6% issued bonds (December 31, 2017 – 6%) and 3% Money Market Debts (December 31, 2017 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	**90.924**	**-**	**1.801.841**	**-**
Financial institutions and organizations	72.397	-	1.771.995	-
Other institutions and organizations	9.213	-	15.494	-
Real persons	9.314	-	14.352	-
From foreign transactions	**1.349**	**4.622.546**	**6.724**	**4.631.256**
Financial institutions and organizations	-	4.622.546	-	4.631.256
Other institutions and organizations	1.349	-	6.724	-
Real persons	-	-	-	-
Total	**92.273**	**4.622.546**	**1.808.565**	**4.631.256**

5. Information on securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.206.779	388.754	2.975.932	57.156
Bills	-	6.308.922	103.821	4.776.661
Total	**2.206.779**	**6.697.676**	**3.079.753**	**4.833.817**

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

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

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

7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Interest rate and cash flow of the Bank are the main criteria which are taken into consideration determination of payment plans in the leasing contracts.

7.1. Changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (December 31, 2017- None).

7.2. Financial Lease Payables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	15.002	10.136	3.141	2.851
Between 1-4 years	21.443	14.487	4.239	3.848
More than 4 years	-	-	-	-
Total	**36.445**	**24.623**	**7.380**	**6.699**

7.3. Information on operational lease

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

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

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

The Bank does not have any sale-and-lease back transactions in the current period (December 31, 2017 - None).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period (***)	
	TL	**FC**
Fair Value Hedge(*)	155.054	215.663
Cash Flow Hedge(**)	159.675	76.373
Net Investment Hedge	-	-
Total	**314.729**	**292.036**

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

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2018, TL 181.259 from loans (December 31, 2017 – TL 41.598), TL 8.179 (December 31, 2017 - TL 4.056) from securities issued, TL 181.279 (December 31, 2017 - TL 168.798) from securities, represents the fair value of the derivative financial instruments used in the fair value hedging transaction.
(**) Represents the fair value of derivative financial instruments for cash flow hedges of deposits and floating rate borrowings.
(***) Derivative financial liabilities for the fair value hedge purposes in the current period are presented in line 7.1 of the financial statements and financial liabilities for the purpose of cash flow hedges are shown in line 7.2.

9. Information on provisions

9.1. Information on general provisions

	Current Period
Provisions for off-balance sheet commitments(*)	140.969
Total	**140.969**

(*) As of December 31, 2018 provisions for non-cash loans in stage 3 represented at line 9.5 in liabilities and equity table with the adoption of TFRS 9.

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

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

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

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

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

The specific provision for non-cash loans which are related with the non-performing cash loans in arrears or the loans which were written off from balance sheet is TL 50.116 (December 31, 2017 – TL 45.014).

9.4. Information on employee termination benefits and unused vacation accrual

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

As of December 31, 2018, TL 173.924 (December 31, 2017 - TL 175.627) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2018, the Bank accrued TL 44.501 (December 31, 2017 – TL 42.089) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

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

As of December 31, 2018 TL 208.431 (December 31, 2017 - TL 139.328) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

9.4.1. Movement of employee termination benefits

	Current Period 01.01-31.12.2018	Prior Period 01.01-31.12.2017
As of January 1	175.627	138.930
Service Cost	23.284	18.619
Interest Cost	20.054	15.367
Settlement / curtailment / termination loss	7.295	10.003
Actuarial Difference	(19.408)	32.067
Paid during the period	(32.928)	(39.359)
Total	**173.924**	**175.627**

9.5. Information on other provisions

9.5.1. Information on provisions for possible risks

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

	Current Period	Prior Period
Other provisions made for close monitoring loans portfolio(*)	-	108.450
Provision for Promotion Expenses of Credit Cards	10.982	9.356
Other Provisions	211.011	144.327
Total	**221.993**	**262.133**

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

10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

As of December 31, 2018, the Bank has TL 149.662 current tax liability (December 31, 2017- TL 446.266). As of December 31, 2018, the Bank has no prepaid tax (December 31, 2017- TL 41.097).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	149.662	405.169
Banking and Insurance Transaction Tax (BITT)	100.593	63.463
Taxation on Securities Income	70.842	56.775
Taxation on Real Estates Income	2.349	1.953
Other	25.882	23.139
Total	**349.328**	**550.499**

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

10.1.3. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	9.559	20.809
Social Security Premiums - Employer Share	10.358	18.187
Unemployment Insurance - Employee Share	672	1.205
Unemployment Insurance - Employer Share	1.344	2.408
Total	**21.933**	**42.609**

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

11. Information on payables related to assets held for sale

None (December 31, 2017 – None).

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
To be included in the calculation of additional capital	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	**4.816.098**	-	**3.510.837**
Subordinated loans	-	4.816.098	-	3.510.837
Subordinated debt instruments	-	-	-	-
Total	-	**4.816.098**	-	**3.510.837**

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

13. Information on shareholder's equity

13.1. Paid-in Capital

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

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

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

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

None (December 31, 2017 – TL 200.000.000).

13.4. Information on share capital increases from revaluation funds

None (December 31, 2017 – None).

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

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

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

None (December 31, 2017 – None).

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

None (December 31, 2017 – None).

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

14. Common stock issue premiums, shares and equity instruments

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

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

15. Securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control	**748.729**	**-**	**388.744**	**-**
Valuation Difference	748.729	-	388.744	-
Foreign Exchange Rate Difference	-	-	-	-
Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)	**80.775**	**(534.108)**	**(53.163)**	**(176.412)**
Valuation Difference	80.775	(534.108)	(53.163)	(176.412)
Foreign Exchange Rate Difference	-	-	-	-
Total	**829.504**	**(534.108)**	**335.581**	**(176.412)**

16. Accrued interest and expenses

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

	Current Period	
	TL	FC
Derivative Financial Liabilities	5.450.465	651.892
Deposits	643.659	86.485
Securities Issued	-	52.478
Funds Borrowed	2.042	171.001
Money Market Borrowings	173	23.636
Other Accruals	140.510	149.556
Total	**6.236.849**	**1.135.048**

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

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

SECTION FIVE

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

1. Information related to off-balance sheet contingencies

a. Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	22.362.300	17.115.833
Commitment For Use Guaranteed Credit Allocation	10.852.185	9.774.575
Forward, Asset Purchase Commitments	2.205.109	2.876.502
Payment Commitments for Cheques	2.181.264	2.754.045
Other Irrevocable Commitments	1.188.454	1.056.395
Commitments for Promotions Related with Credit Cards and Banking Activities Prom. Uyg. Taah	29.958	45.880
Tax and Fund Liabilities due to Export Commitments	28.728	15.358
Total	**38.847.998**	**33.638.588**

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

Specific provision is provided for the non-cash loans amounting to TL 50.116 (December 31, 2017 - TL 45.014) followed in the off-balance sheet accounts that are not indemnified and liquidated yet.

1.3 Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Bank Loans	4.476.254	3.012.892
Letters of Credit	1.727.806	1.783.291
Total	**6.204.060**	**4.796.183**

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

	Current Period	Prior Period
Provisional Letters of Guarantee	679.218	920.541
Final Letters of Guarantee	7.374.286	6.387.607
Advance Letters of Guarantee	1.422.077	822.037
Letters of Guarantee Given to Customs Offices	407.385	457.444
Other Letters of Guarantee	7.602.220	5.931.237
Total	**17.485.186**	**14.518.866**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	**3.913.293**	**2.315.378**
Less Than or Equal to One Year with Original Maturity	1.305.237	681.540
More Than One Year with Original Maturity	2.608.056	1.633.838
Other Non-Cash Loans	**19.775.953**	**16.999.671**
Total	**23.689.246**	**19.315.049**

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

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

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	**28.886**	**0,33**	**40.184**	**0,27**	**44.952**	**0,51**	**2.855**	**0,03**
Farming and Raising Livestock	28.886	0,33	22.864	0,15	40.054	0,45	-	-
Forestry	-	-	-	-	2.375	0,03	-	-
Fishing	-	-	17.320	0,12	2.523	0,03	2.855	0,03
Manufacturing	**2.318.397**	**26,51**	**7.534.257**	**50,42**	**1.261.085**	**14,27**	**4.430.301**	**42,29**
Mining and Quarrying	14.211	0,16	25.627	0,17	48.598	0,55	36.769	0,35
Production	2.156.385	24,66	6.766.518	45,28	990.927	11,21	3.888.686	37,12
Electricity, gas and water	147.801	1,69	742.112	4,97	221.560	2,51	504.846	4,82
Construction	**2.953.023**	**33,77**	**1.791.908**	**11,99**	**2.769.132**	**31,33**	**782.143**	**7,47**
Services	**2.718.719**	**31,09**	**5.483.620**	**36,69**	**4.095.605**	**46,33**	**2.555.222**	**24,39**
Wholesale and Retail Trade	932.803	10,67	1.252.602	8,38	2.475.606	28,01	954.016	9,12
Hotel, Food and Beverage Services	109.159	1,25	687.370	4,60	75.523	0,85	85.148	0,81
Transportation&Communication	307.762	3,52	1.087.830	7,28	193.455	2,19	280.352	2,66
Financial Institutions	1.031.711	11,80	1.619.277	10,84	773.612	8,75	838.847	8,01
Real Estate and Renting Services	-	-	236	-	8.232	0,09	611	0,01
Self Employment Services	96.221	1,10	24.265	0,16	274.603	3,11	36.769	0,35
Educational Services	5.832	0,07	6.028	0,04	6.262	0,07	-	-
Health and Social Services	235.231	2,68	806.012	5,39	288.312	3,26	359.479	3,43
Other	**725.792**	**8,30**	**94.460**	**0,63**	**668.642**	**7,56**	**2.705.112**	**25,82**
Total	**8.744.817**	**100,00**	**14.944.429**	**100,00**	**8.839.416**	**100,00**	**10.475.633**	**100,00**

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

	I. Group		II. Group	
Current Period (*)	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	8.514.934	8.715.903	163.828	40.405
Bills of Exchange and Acceptances	15.820	4.455.338	-	5.096
Letters of Credit	119	1.723.573	-	4.114
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**8.530.873**	**14.894.814**	**163.828**	**49.615**

(*) Does not include non-cash loans amounting to TL 50.116, for which special 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	8.586.488	5.472.032	196.238	219.094
Bills of Exchange and Acceptances	19.991	2.992.795	-	106
Letters of Credit	946	1.782.345	-	-
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**8.607.425**	**10.247.172**	**196.238**	**219.200**

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

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

5. Information on derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**110.799.329**	**121.908.563**
Forward transactions(*)	9.303.903	13.539.343
Swap transactions	88.929.936	100.507.782
Futures transactions	237.014	209.931
Option transactions	12.328.476	7.651.507
Interest Related Derivative Transactions (II)	**41.650.654**	**20.280.668**
Forward rate transactions	-	-
Interest rate swap transactions	41.650.654	20.280.668
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	**815.440**	**628.716**
A.Total Trading Derivative Transactions (I+II+III)	**153.265.423**	**142.817.947**
Types of hedging transactions		
Fair value hedges	26.613.394	18.276.951
Cash flow hedges	40.258.698	35.285.822
Net investment hedges	-	-
B.Total Hedging Related Derivatives	**66.872.092**	**53.562.773**
Total Derivative Transactions (A+B)	**220.137.515**	**196.380.720**

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

As of December 31, 2018, breakdown of the Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

Current Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell (*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
TL	1.586.500	1.358.560	16.605.615	33.081.920	2.341.029	3.164.010	-	-	-
USD	1.319.717	2.532.488	68.229.044	41.827.300	2.748.095	2.370.999	118.507	118.507	815.440
EURO	1.690.980	733.850	14.489.926	20.839.757	1.009.924	575.077	-	-	-
Other	34.999	46.809	2.354.767	24.353	31.116	88.226	-	-	-
Total	**4.632.196**	**4.671.707**	**101.679.352**	**95.773.330**	**6.130.164**	**6.198.312**	**118.507**	**118.507**	**815.440**

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

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

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

a. Fair value hedge accounting

a) Loans

The Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TL 6.055.337 (December 31, 2017 – TL 4.757.337) were subject to hedge accounting by swaps with a nominal of TL 6.922.598 (December 31, 2017 – TL 4.973.074). On December 31, 2018 the net market valuation difference loss amounting to TL 1.576 due to the loss from loans amounting to TL 173.326 (December 31, 2017 – TL 5.235 loss) and gain from swaps amounting to TL 171.750 (December 31, 2017 – TL 36.696 gain) is accounted for under "gains / (losses) from financial derivatives transactions" line in the accompanying financial statements.

As of balance sheet date project finance loans amounting to TL 223.858 (December 31, 2017 – TL 188.632) have been subject to hedge accounting with swaps with a nominal amount of TL 210.304 (December 31, 2017 – TL 179.136). In 2018 TL 823 net fair valuation difference gain, net of TL 1.980 (December 31, 2017 – TL 2.014 loss) gain from loans and TL 1.158 (December 31, 2017 – TL 818 gain) loss from swaps has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 51.313 (December 31, 2017 – TL 9.606) related to the loans that are ineffective for hedge accounting under “gains / (losses) from financial derivatives transactions” as gain during the current period.

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

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Bank using swaps as hedging instruments. As of the balance sheet date; Eurobonds with a nominal of USD 404,7 million and EUR 75,4 million (December 31, 2017 – USD 371,7 million and EUR 75.4 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2018, the net market valuation difference gain amounting to TL 12, due to loss from Eurobonds amounting to TL 6.814 (December 31, 2017 – TL 4.794 gain) and gain from swaps amounting to TL 6.826 (December 31, 2017 – TL 5.739 loss) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

The Bank does not apply fair value hedge on TL government bonds in the current period. (As of December 31, 2017 - None)

c) Bonds issued

The Bank applies fair value hedge accounting to hedge against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 283 million (December 31, 2017 – USD 283 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2018, TL 179 net fair valuation difference loss, net of TL 1.142 (December 31, 2017 – TL 6.669 gain) gain from issued bonds and TL 1.321 (December 30, 2017 – TL 6.402 loss) loss from swaps, has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.

d) Borrowings

The Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2017: EUR 30 million) is subjected to hedge accounting with a swap having the same amount. A net mark to market difference loss at an amount of TL 11 (December 31, 2017: TL 13 gain) sourcing from Credit at an amount of TL 1.239 (December 31, 2017: TL 521 gain) loss and TL 1.128 (December 31, 2017 – TL 508 loss) gain from swaps is recognized under “Gains/losses from Derivative Financial Transactions”.

5.2 Cash flow hedge accounting

a) Deposit

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity until 3 month, the Bank implements cash flow hedge accounting with interest rate swaps. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 2.150.000 are subject to hedge accounting as hedging instruments (December 31, 2017 – TL 5.210.000). As a result of the mentioned hedge accounting, fair value gains before taxes amounting to TL 37.446 are accounted for under equity during the current period (December 31, 2017 – TL 106.616 gain). The gain amounting to TL 795 (December 31, 2017 – TL 676 gain) relating to the ineffective portion is accounted for at the income statement.

As of the balance sheet date, swaps with a nominal amount of USD 2.519 million (December 31, 2017 – USD 2.753 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 289 million (December 31, 2017 –EUR 319 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value gain before taxes amounting to TL 181.006 are accounted for under equity during the current period (December 31, 2017 – TL 121.387 gain). The income amounting to TL 1.302 (December 31, 2017 – TL 248 gain) relating to the ineffective portion is accounted for at the income statement.

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

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness. In the current period there is loss TL 4.969 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (December 31, 2017 – TL 1.327 loss).

b) Subordinated Loans

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to USD 810 million are subject to hedge accounting as hedging instruments (December 31, 2017 – USD 260 million). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL 6.909 are accounted for under equity during the current period (December 31, 2017 – 11.673 gain). Regarding the ineffective portion amounting to TL 83 loss, has been associated with the income statement.

The measurements as of December 31, 2018, hedge of cash flow transactions stated above are determined as effective.

6. Credit derivatives and risk exposures on credit derivatives

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

As of December 31, 2018, "Other Derivative Financial Instruments" with nominal amount of USD 155.000.000 (December 31, 2017 - USD 165.000.000) are included in Bank's "Swap Interest Sell Transactions." In aforementioned transaction, the Bank is the seller of the protection for USD 155.000.000.

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL 117.185 (December 31, 2017 - TL 44.781) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account (Section Five, part II.9.5). Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

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

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

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

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

SECTION FIVE

IV. Explanations And Disclosures Related To The Income Statement

1. a) Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	5.369.153	115.446	3.428.933	61.137
Medium and Long-Term Loans	6.359.155	1.443.979	4.981.504	765.103
Non-Performing Loans	101.211	-	83.175	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total(*)	**11.829.519**	**1.559.425**	**8.493.612**	**826.240**

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

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank(*)	-	-	-	1
Domestic Banks	157.311	419	184.786	432
Foreign Banks	3.147	40.231	2.065	12.959
Foreign Headquarters and Branches	-	-	-	-
Total	**160.458**	**40.650**	**186.851**	**13.392**

(*) The interest income on Required Reserve amounting TL 200.684 is not included into interest income on Banks. (December 31, 2017: TL113.120).

c) Information on interest income from securities portfolio

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	1.733	423
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	643.608	177.000
Financial Assets Measured at Amortized Cost	1.474.184	254.652
Total	**2.119.525**	**432.075**

	Prior Period	
	TL	FC
Held-for-Trading Financial Assets	4.848	496
Financial Assets at FVTPL	1.854	44
Investment Securities Available for Sale	470.587	147.203
Investment Securities Held to Maturity	454.891	161.388
Total	**932.180**	**309.131**

As stated in Section Three disclosure VII.2, the Bank has inflation indexed (CPI) government bonds in its financial assets measured at fair value through other comprehensive income (FVOCI) and financial assets measured at amortized Cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The Bank determines the estimated inflation rates used for valuation of securities in line with this. The estimated inflation rate used is updated during the year when necessary. The estimated inflation rate used in the valuation of these securities has been updated and updated according to the inflation rate of 25,24% as of December 31, 2018.

a) Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	33.374	13.731

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	**11.050**	**1.042.608**	**7.064**	**589.853**
T.R. Central Bank	-	-	-	-
Domestic Banks	9.020	7.137	7.023	3.043
Foreign Banks	2.030	1.035.471	41	586.810
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	**-**	**-**	**-**	**-**
Total	**11.050**	**1.042.608**	**7.064**	**589.853**

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

b) Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	67.470	66.551

c) Information on interest expense paid to securities issued

As of December 31, 2018 interest paid to securities issued is TL 808.179 (December 31, 2017 – TL 438.658).

d) Information on maturity structure of interest expenses on deposits (Current Period)

		Time Deposits						
Account	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	39.264	382	839	1.677	-	-	42.162
Saving Deposits	4	535.272	2.984.296	233.837	109.986	188.609	-	4.052.004
Public Sector Deposits	-	493	1.687	113	15	13	-	2.321
Commercial Deposits	156	476.465	542.771	61.017	57.086	91.675	-	1.229.170
Other Deposits	-	7.084	47.884	3.449	2.394	341	-	61.152
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**160**	**1.058.578**	**3.577.020**	**299.255**	**171.158**	**280.638**	**-**	**5.386.809**
Foreign Currency								
Deposits	3	53.044	812.914	51.152	52.114	27.161	-	996.388
Bank Deposits	326	71.865	20.545	970	515	-	-	94.221
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1.635	-	-	-	-	-	1.635
Total	**329**	**126.544**	**833.459**	**52.122**	**52.629**	**27.161**	**-**	**1.092.244**
Grand Total	**489**	**1.185.122**	**4.410.479**	**351.377**	**223.787**	**307.799**	**-**	**6.479.053**

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

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

		Time Deposit						
Account	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**Over 1 Year**	**Accumulated Deposit Account**	**Total**
Turkish Lira								
Bank Deposits	-	49.209	3.115	-	-	-	-	52.324
Saving Deposits	1	228.997	1.808.348	119.927	51.389	116.413	-	2.325.075
Public Sector Deposits	-	402	3.160	211	18	13	-	3.804
Commercial Deposits	1	331.586	508.396	47.800	83.607	58.914	-	1.030.304
Other Deposits	-	5.929	43.732	9.728	28.138	469	-	87.996
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**2**	**616.123**	**2.366.751**	**177.666**	**163.152**	**175.809**	**-**	**3.499.503**
Foreign Currency								
Deposits	-	28.875	413.183	36.454	18.873	12.579	-	509.964
Bank Deposits	300	49.366	5.573	1.418	2.743	-	-	59.400
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	886	-	-	-	-	-	886
Total	**300**	**79.127**	**418.756**	**37.872**	**21.616**	**12.579**	**-**	**570.250**
Grand Total	**302**	**695.250**	**2.785.507**	**215.538**	**184.768**	**188.388**	**-**	**4.069.753**

e) Information on interest expense on repurchase agreements

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Interest Expense on Repurchase Agreements(*)	207.119	145.294	79.099	75.553

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

f) Information on finance lease expenses

	Current Period	Prior Period
Finance Lease Expenses	1.200	307

g) Information on interest expense on factoring payables

None (December 31, 2017 – None).

3. Information on dividend income

	Current Period	Prior Period
Financial Derivative Assets at Fair Value through Profit/Loss (FVTPL)	-	-
From Financial Assets at Fair Value through Profit and Loss	-	-
From Financial Assets at Fair Value through Other Comprehensive Income	-	-
Other	52.196	14.499
Total	**52.196**	**14.499**

4. Information on trading income/loss

	Current Period	Prior Period
Trading Income	**19.235.990**	**9.956.145**
Gains on Capital Market Operations	43.910	26.121
Derivative Financial Instruments	12.455.883	5.801.054
Foreign Exchange Gains	6.736.197	4.128.970
Trading Loss (-)	**20.641.750**	**11.190.302**
Losses on Capital Market Operations	30.358	22.121
Losses on Derivative Financial Instruments	11.929.880	7.058.552
Foreign Exchange Losses	8.681.512	4.109.629
Net Trading Income/Loss	**(1.405.760)**	**(1.234.157)**

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

5. Information on other operating income

The Bank recorded the current year collections from loans written off in the previous period, portfolio management fees and expense accrual cancelations in "Other Operating Income" account.

6. Provision for losses

	Current Period
Expected Credit Loss	**2.053.057**
12 month expected credit loss (stage 1)	54.951
Significant increase in credit risk (stage 2)	632.661
Non-performing loans (stage 3)	1.365.445
Marketable Securities Impairment Expense	**8.369**
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	8.369
Investments in Associates, Subsidiaries and Held-to-maturity	
Securities Value Decrease	**-**
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	**64.122**
Total	**2.125.548**

	Prior Period
Specific Provisions For Loans and Other Receivables	**1.056.549**
Loans and Receivables in Group III	330.313
Loans and Receivables in Group IV	194.039
Loans and Receivables in Group V	532.197
Provision for Loans Under Close Monitoring	**68.549**
General Provisions	**107.874**
Provision Expenses for Possible Losses	**-**
Impairment Losses on Securities	-
Financial assets at fair value through profit or loss	-
Investment securities available for sale	-
Impairment Losses on Associates, Subsidiaries and	**-**
Associates	-
Subsidiaries	-
Entities under common control	-
Investment securities held-to-maturity	-
Other	**468**
Total	**1.233.440**

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

7. Information on other operating expenses

	Current Period	Prior Period
Personnel Expenses(*)	1.407.398	1.253.346
Reserve for Employee Termination Benefits	17.705	4.630
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	402	-
Depreciation Expenses of Fixed Assets	135.606	139.471
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	117.839	112.518
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	1.136.751	1.043.318
Operational Leasing Expenses	236.400	*221.125*
Maintenance Expenses	180.178	*146.124*
Advertisement Expenses	94.029	*93.260*
Other Expenses	*626.144*	*582.809*
Loss on Sales of Assets	138	376
Other(**)	533.643	413.552
Total	**3.349.482**	**2.967.211**

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

(**) Comprising repayments amounting to TL 8.915 (December 31, 2017: TL 20.879) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income.

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

For the period ended December 31, 2018, net interest income in regards to continued operations of TL 7.683.373 (December 31, 2017 – TL 5.651.601), net fees and commission income of TL 2.139.885 (December 31, 2017 – TL 1.685.893) and other operating income of TL 64.077 (December, 2017 – TL 131.780) constitute an important part of the income.

9. Explanations on tax provision for continued and discontinued operations

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

As of December 31, 2018, the Bank has recorded tax charge TL 711.041 (December 31, 2017 – TL 446.266) and a deferred tax income of TL 62.129 (December 31, 2017 – TL 742 deferred tax income) from its continuing operations.

9.2. Explanations on operating profit/loss after taxes

None (December 31, 2017 – None).

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

Net profit of the Bank from continued operations is TL 2.409.829 (December 31, 2017 – TL 1.603.441).

11. Explanations on net income/loss for the period

11.1. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period

None (December 31, 2017 – None).

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

None.

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

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

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

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

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

SECTION FIVE

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

1. Changes resulting from valuation of financial assets measured at fair value through other comprehensive income

Net decrease of TL 223.758 (December 31, 2017 – TL 190.578 net increase) after tax effect resulting from valuation of at financial assets measured at fair value through other comprehensive income is included in "accumulated other comprehensive income or loss reclassified through profit or loss" account under shareholders' equity.

2. Explanations on foreign exchange differences

None.

3. Explanations on dividend

3.1. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2017 profit as stated below at the Ordinary General Assembly held on March 29, 2018.

2017 profit distribution table:

Current Year Profit	1.603.441
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(80.172)
B - The First Dividend for Shareholders(*)	(100.000)
C – Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(1.423.269)

(*) Distributed as cash bonus to shareholders

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, 2017 - Profit distribution for 2017 is detailed in footnote 3.1).

3.3. Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained Earnings	80.172	60.171

3. Information on issuance of share certificates

1.1 The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (December 31, 2017 - None).

4. Information on the other capital increase items in the statement of changes in shareholders' equity

There was no capital increase in 2018. Capital increase amounting to TL 200.000 presented in the Statement of Changes in Shareholder's Equity in 2017 entirely provided from extraordinary reserves.

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

SECTION FIVE

VI. EXPLANATIONS AND DISCLOSURES RELATED TO CASH FLOWS STATEMENT

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

"Other items" amounting to TL 3.380.789 (December 31, 2017 – TL 2.048.058) in "Operating profit before changes in operating assets and liabilities" consist of commissions paid amounting to TL 547.142 (December 31, 2017 – TL 363.096), net trading income/loss by TL 1.558.471 (December 31, 2017 – TL 50.908 net trading income/loss) and other operating expenses amounting to TL 1.275.177 (December 31, 2017 – TL 1.735.870).

"Other items" in changes in operating assets amounting to TL 3.726.562 (December 31, 2017- TL 446.374) consist of the increase in collaterals given by TL 1.769.189 (December 31, 2017- TL 179.491 decrease) and the decrease in other assets by TL 1.957.373 (December 31, 2017 - TL 625.865 increase).

"Other items" in changes in operating liabilities amounting to TL 3.914.640 (December 31, 2017- TL 650.456) consist of the decrease in money market borrowings by TL 1.780.605 (December 31, 2017- TL 33.854 increase), the increase in sundry debtors and other liabilities by TL 5.929.429 (December 31, 2017- TL 584.335 increase) and the decrease in other capital reserves by TL 234.182 (December 31, 2017 – TL 32.067).

"Other items" in changes in net cash provided from banking operations amounting to TL 185.921 (December 31, 2017 – TL 161.449) includes the increase in intangible assets.

Effect of change in foreign currency on cash and cash equivalents is calculated as the difference between monthly average balances converted to TL using the currency rate at the beginning and at the end of the period and is TL 40.687 (December 31, 2017 – TL 1.900) as of December 31, 2018.

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	Current Period December 31, 2017
Cash	**1.012.047**
Cash in TL	644.333
Cash in Foreign Currencies	340.629
Other	27.085
Cash Equivalents	**4.940.751**
Balances with the T.R. Central Bank	3.700.772
Banks	1.171.424
Money Market Placements	114.899
Less: Placements with Banks with Maturities Longer than 3 Months	(38.155)
Less: Accruals	(8.189)
Cash and Cash Equivalents	**5.952.798**

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

3. Information regarding the balances of cash and cash equivalents at the end of the period

	Current Period
	December 31, 2018
Cash	**1.705.411**
Cash in TL	787.019
Cash in Foreign Currencies	849.141
Other	69.251
Cash Equivalents	**7.061.654**
Balances with the T.R. Central Bank	5.986.379
Banks	1.033.561
Money Market Placements	102.180
Less: Placements with Banks with Maturities Longer than 3 Months	(60.389)
Less: Accruals	(77)
Cash and Cash Equivalents	**8.767.065**

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 198.524 (December 31, 2017- TL 121.343) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the Bank's potential borrowings that can be used for ordinary operations or capital commitment

None.

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

SECTION FIVE

VII. EXPLANATIONS AND DISCLOSURES RELATED TO THE BANK'S RISK GROUP

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

1.1. As of December 31, 2018, the Bank's risk group has deposits, cash and non-cash loans at the Bank amounting to TL 710.112 (December 31, 2017 – TL 738.760) deposit and TL 549.046 (December 31, 2017- TL 331.694) cash loans and TL 18.893 (December 31, 2017 – TL 12.254) non-cash loans respectively.

Current Period

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	330.935	10.384	613	-	146	1.870
Balance at the End of the Period	548.950	16.087	1.755	-	96	2.806
Interest and Commission Income	33.374	163	-	37	32	44

Prior Period

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	264.052	5.896	1.179	-	1.252	1.586
Balance at the End of the Period	330.935	10.384	613	-	146	1.870
Interest and Commission Income(***)	13.731	112	-	26	73	29

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the loans given to the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents December 31, 2017 balance.

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

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	568.454	89.151		-	170.306	179.718
Balance at the End of the Period	551.043	568.454		-	159.069	170.306
Interest on deposits(***)	67.470	66.551		-	21.187	15.903

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the derivative transactions between the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents December 31, 2017 balance.

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

1.3. Information on forward and option agreements and similar agreements made with the Bank's risk group

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	470.862	104.180	1.046	-	-	-
End of the Period	1.569.213	470.862	-	1.046	-	-
Total Income/Loss(***)	33.745	9.055	15	(19)	-	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss(***)	-	-	-	-	-	-

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the derivative transactions between the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents December 31, 2017 balance.

1.4. Information on benefits provided to top management

As of December 31, 2018, the total amount of remuneration and bonuses paid to top management of the Bank is TL 90.436 (December 31, 2017 - TL 82.697).

2. Disclosures of transactions with the Bank's risk group

2.1. Relations with entities in the risk group of / or controlled by the Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

2.2 In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

As of December 31, 2018, cash loans of the risk group represented 0,6% of the Bank's total cash loans (December 31, 2017 – 0,4%), the deposits represented 0,8% of the Bank's total deposits (December 31, 2017 – 1,1%) and derivative transactions represented 0,7% of the Bank's total derivative transactions (December 31, 2017 – 0,2%).

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

The Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş. As of December 31, 2018, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TL 24.623 (December 31, 2017 - TL 6.699) relating with finance lease agreements.

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

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

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

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

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC, FOREIGN AND OFF-SHORE BANKING BRANCHES AND FOREIGN REPRESENTATIVES

1. Information relating to the bank's domestic and foreign branch and representatives

	Number	Employees	Country	Total Assets	Capital
Domestic Branch	541	12.268			
Foreign Representation	-	-	-		
Foreign Branch	1	8	1- Bahreyn	21.229.746	-
Off-shore Banking and Region Branches	-	-	-	-	-

SECTION SIX

OTHER EXPLATIONS

I. Other explanations related to the Bank's operations

1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements

The Bank, made a discounted bond issuance; on January 3, 2018 at a nominal amount of TL 64.870 along with an interest rate of 23,05% maturing in 47 days, a discounted bond issuance on January 4, 2018 at a nominal amount of TL 117.860 with an interest rate of 23,00% maturing in 77 days, a discounted bond issuance with coupon payments on January 11, 2018 at a nominal amount of TL 107.900 with an interest rate 21,91% maturing in 46 days, a discounted bond issuance on January 11, 2018 at a nominal amount TL 101.000 with an interest rate of 24,83% maturing in 84 days, a discounted bond issuance on January 18, 2018 at a nominal amount of TL 221.640 with an interest rate of 22,60% maturing 84 days and a discounted bond on January 18, 2018 at a nominal amount of TL 220.750 with an interest rate 23,10% maturing in 175 days and a discounted bond on January 22, 2018 at a nominal amount of TL 4.400 with an interest rate 21,20% and a discounted bond on January 23, 2018 at a nominal amount of TL 34.000 with an interest rate 20,87% and a discounted bond on January 25, 2018 at a nominal amount of TL 130.730 with an interest rate 21,70% and a eurobond on January 20, 2018 at a nominal amount of EUR 20.000 with an interest rate 0,90% and a discounted bond on January 31, 2018 at a nominal amount of TL 39.900 with an interest rate 21,63% and a discounted bond on January 31, 2018 at a nominal amount of TL 145.200 with an interest rate 21,72% and a discounted bond on February 1, 2018 at a nominal amount of TL 103.226 with an interest rate 21,41% and a discounted bond on February 1, 2018 at a nominal amount of TL 122.220 with an interest rate 21,70%.

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

None.

SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Audit Report

The unconsolidated financial statements for the period ended December 31, 2018 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's report dated February 4, 2019 is presented preceding the unconsolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2017 - None).

Building a better
working world

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INDEPENDENT AUDITOR'S REPORT

To the General Assembly of QNB Finansbank Anonim Şirketi:

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of QNB Finansbank A.Ş (the Bank), which comprise the statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and consolidated other comprehensive income, 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of QNB Finansbank A.Ş. as at December 31, 2018 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 Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations.

Basis for Opinion

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 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.

Key Audit Matter	How the matter is addressed in our audit
Transition impact of TFRS 9 "Financial Instruments" Standard and recognition of impairment on financial assets and related significant disclosures	
As presented in Section 3 disclosure XXVII, as of 1 January 2018, the Group adopted the TFRS 9 ''Financial Instruments'' standard began to recognize expected credit losses of financial assets in accordance with TFRS 9. We considered the transition to TFRS 9 and impairment of financial assets as a key audit matter since: - Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements - TFRS 9 transition has an effect on Group's equity - There are complex and comprehensive requirements of TFRS 9 - The classification of the financial assets is based on the Bank's business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Group uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments. - Policies implemented by the Group management include compliance risk to the regulations and other practices. - New or re-structured processes of TFRS 9 are advanced and complex. - Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive. - Disclosure requirements of TFRS 9 are comprehensive and complex	Our audit procedures included among others include: - Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Group's past experience, local and global practices. - Reviewing and testing of new or re-structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists. - Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices - Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Group's Business model - Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and bank's past performance. Evaluating the alignment of those forward looking parameters to Group's internal processes where applicable. - Assessing the completeness and the accuracy of the data used for expected credit loss calculation - Testing the mathematical accuracy of expected credit loss calculation on sample basis - Evaluating the judgments and estimates used for the individually assessed financial assets - Evaluating the accuracy and the necessity of post-model adjustments - Auditing of TFRS 9 disclosures

Hedge Accounting	
As explained in Section 5 Note I.13 and II.8, the Group enters into hedging transactions and applies hedge accounting in order to manage the interest rate and foreign currency rate risks. The Group uses derivative financial instruments and other hedging relationships to hedge its financial risks such as loans and receivables, available-for-sale financial assets, deposits, securities issued and borrowings. Hedge accounting is considered to be 'key audit matter' due to the potential risks on eligibility of hedge relationship in accordance with TAS 39 'Financial Instruments: Recognition and Measurement', effectiveness of the tests, fair value calculation of financial instruments, documentation and termination of hedge relationship including the effect of termination on the carrying amount of assets.	In addition to general audit procedures our audit procedures include the re-calculation of fair values of derivative financial instruments, assessment of the financial risk components, documentation of all hedging relationships, examination of the effectiveness tests, the review of hedge accounting records, evaluating the appropriateness of the carrying amount of the asset in accordance with the relevant standards in case of a termination.
Valuation of Derivative Financial Instruments	
Foreign currency forward transactions, currency and interest rate swap transactions, money options, money futures transactions and all other derivative financial instruments are recorded at fair value on the balance sheet and their fair values are subject to continuous revaluation. Details of the related amounts are explained in Section 5 Note I.2.b and Note II.2. The fair value of derivative financial instruments is determined by selecting the most appropriate market data and applying valuation techniques for certain products. Due to the assumptions, estimates and subjectivity used in these applications, derivative financial instruments are considered as a key audit matter by us.	In addition to our auditing procedures, include reviewing the fair valuation policies as determined by the Group Management, checking the fair value calculations of the derivative financial instruments chosen by the sample as valuation experts, evaluating the assumptions and estimates used, operational evaluation and testing.

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 consolidated 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 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 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 Parent Bank's bookkeeping activities and consolidated financial statements for the period January 1 – December 31, 2018 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

4 February 2019
İstanbul, Türkiye

QNB FİNANSBANK ANONİM ŞİRKETİ

THE CONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.

FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE 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. QNB Finans Finansal Kiralama Anonim Şirketi
2. QNB Finans Yatırım Menkul Değerler Anonim Şirketi
3. QNB Finans Portföy Yönetimi Anonim Şirketi
4. QNB Finans Faktoring Anonim Şirketi
5. Hemenal Finansman Anonim Şirketi
6. QNB Finans Varlık Kiralama Şirketi A.Ş

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, 2018, 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

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

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

Temel Güzeloğlu
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

INDEX

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

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

99,88% of shares of Parent Bank are controlled by Qatar National Bank as of December 31, 2018 and remaining 0,12% of related shares are public shares.

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

(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	June 16, 2016	Masters
Durmuş Ali Kuzu	Board Member and Member of the Audit Committee	August 25, 2016	Phd
Temel Güzeloğlu	Board Member and General Manager	April 16, 2010	Masters
Abdulla Mubarak N.Al-Khalifa	Board Member	June 16, 2016	Graduate
Assistant Prof. Osman Reha Yolalan	Board Member	June 16, 2016	Phd
Ali Rashid A.S.Al-Mohannadi	Board Member	June 16, 2016	Graduate
Noor Mohd J. A. Al-Naimi	Board Member and Member of the Audit Committee	June 22, 2017	Graduate
Adnan Menderes Yayla	Executive Vice President	May 20, 2008	Masters
Murat Şakar	Executive Vice President	August 1, 2008	Graduate
Köksal Çoban	Executive Vice President	August 19, 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	October 8, 2010	Phd
Erkin Aydın	Executive Vice President	May 16, 2011	Masters
Ömür Tan	Executive Vice President	October 28, 2011	Masters
Halim Ersun Bilgici	Executive Vice President	March 15, 2013	Masters
Enis Kurtoğlu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Engin Turhan	Executive Vice President	June 14, 2016	Masters
Cumhur Türkmen	Executive Vice President	June 11, 2018	Graduate
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	-
Other	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, 2018, the Parent Bank operates through 540 domestic (December 31, 2017 - 578), 1 foreign (December 31, 2017 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2017 - 1) branches. As of December 31, 2018, the Group has 13.466 employees (December 31, 2017 – 13.095 employees).

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 Entity", 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

I. Consolidated balance sheet (statement of financial position)
II. Consolidated statements of off-balance sheet commitments and contingencies
III. Consolidated statement of profit or loss
IV. Consolidated statement of profit or loss and other comprehensive income
V. Consolidated statement of changes in shareholders' equity
VI. Consolidated statement of cash flows
VII. Consolidated statement of profit appropriation

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

I. CONSOLIDATED BALANCE SHEET – ASSETS

			Audited 31.12.2018		
		Section 5 Part I	TL	FC	Total
I.	**FINANCIAL ASSETS (NET)**		**26.600.080**	**27.411.488**	**54.011.568**
1.1	**Cash and Cash Equivalents**		**2.537.892**	**17.725.314**	**20.263.206**
1.1.1	Cash and Balances with The Central Bank	(1)	1.822.718	16.688.725	18.511.443
1.1.2	Banks	(3)	205.463	1.036.589	1.242.052
1.1.3	Receivables From Money Market	(4)	509.711	-	509.711
1.2	**Financial Assets Measured at Fair Value through Profit/Loss**	(2)	**42.381**	**3.358**	**45.739**
1.2.1	Public Sector Debt Securities		19.616	2.811	22.427
1.2.2	Equity Securities		7.320	-	7.320
1.2.3	Other Financial Assets		15.445	547	15.992
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income**	(5)	**4.547.355**	**3.898.418**	**8.445.773**
1.3.1	Public Sector Debt Securities		4.540.725	3.763.899	8.304.624
1.3.2	Equity Securities		4.912	113.259	118.171
1.3.3	Other Financial Assets		1.718	21.260	22.978
1.4	**Financial Assets Measured at Amortized Cost**	(8)	**7.916.505**	**5.015.688**	**12.932.193**
1.4.1	Public Sector Debt Securities		7.916.505	4.283.527	12.200.032
1.4.2	Other Financial Assets		-	732.161	732.161
1.5	**Derivative Financial Assets**	(13)	**11.632.619**	**768.710**	**12.401.329**
1.5.1	Derivative Financial Assets at Fair Value Through Profit/Loss		8.929.754	657.292	9.587.046
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		2.702.865	111.418	2.814.283
1.6	**Non Performing Financial Assets**		-	-	-
1.7	**Expected Credit Losses (-)**		**76.672**	-	**76.672**
II.	**LOANS (NET)**	(6)	**67.354.155**	**33.022.436**	**100.376.591**
2.1	**Loans**		**66.306.683**	**29.102.370**	**95.409.053**
2.1.1	Loans Measured at Amortized Cost		66.306.683	28.992.338	95.299.021
2.1.2	Loans Measured at Fair Value Through Profit/Loss		-	110.032	110.032
2.1.3	Loans Measured at Fair Value Through Other Comprehensive Income		-	-	-
2.2	**Lease Receivables**	(12)	**1.381.904**	**3.706.195**	**5.088.099**
2.2.1	Financial Lease Receivables		1.847.107	4.216.715	6.063.822
2.2.2	Operational Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		465.203	510.520	975.723
2.3	**Factoring Receivables**	(7)	**868.619**	**104.385**	**973.004**
2.3.1	Factoring Receivables Measured at Amortized Cost		868.619	104.385	973.004
2.3.2	Factoring Receivables Measured at Fair Value Through Profit/Loss		-	-	-
2.3.3	Factoring Receivables Measured at Fair Value Through Other Comprehensive Income		-	-	-
2.4	**Non Performing Receivables**		**6.406.497**	**207.766**	**6.614.263**
2.5	**Expected Credit Losses (-)**		**7.609.548**	**98.280**	**7.707.828**
2.5.1	12-Month Expected Loss Provision (Stage 1)		1.074.355	4.169	1.078.524
2.5.2	Significant Increase in Credit Risk (Stage 2)		1.667.392	24.740	1.692.132
2.5.3	Default (Stage 3)		4.867.801	69.371	4.937.172
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)**	(18)	-	-	-
3.1	Held for sale		-	-	-
3.2	Discontinued Operations		-	-	-
IV.	**INVESTMENTS (NET)**		**186.645**	-	**186.645**
4.1	**Investment in Associates (Net)**	(9)	**5.982**	-	**5.982**
4.1.1	Equity Method Associates		-	-	-
4.1.2	Unconsolidated		5.982	-	5.982
4.2	**Investment in Subsidiaries (Net)**		**38.054**	-	**38.054**
4.2.1	Unconsolidated Financial Investments		-	-	-
4.2.2	Unconsolidated Non-Financial Investments		38.054	-	38.054
4.3	**Equity Under Common Control (Joint Ventures) (Net)**	(10)	**142.609**	-	**142.609**
4.3.1	Equity method associates		139.809	-	139.809
4.3.2	Unconsolidated		2.800	-	2.800
V.	**TANGIBLE ASSETS (NET)**	(14)	**2.868.939**	**61**	**2.869.000**
VI.	**INTANGIBLE ASSETS (NET)**	(15)	**411.200**	-	**411.200**
6.1	Goodwill		-	-	-
6.2	Others		411.200	-	411.200
VII.	**INVESTMENT PROPERTIES (NET)**	(16)	-	-	-
VIII.	**CURRENT TAX ASSET**	(17)	**77.001**	-	**77.001**
IX.	**DEFERRED TAX ASSET**	(17)	**618.081**	-	**618.081**
X.	**OTHER ASSETS**	(19)	**2.749.952**	**2.200.196**	**4.950.148**
	TOTAL ASSETS		**100.866.053**	**62.634.181**	**163.500.234**

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

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

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

I. CONSOLIDATED BALANCE SHEET – ASSETS

			Audited 31.12.2017		
		Section 5 Part I	TL	FC	Total
I.	**CASH AND BALANCES WITH THE CENTRAL BANK**	**(1)**	**2.130.940**	**13.751.332**	**15.882.272**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (NET)**	**(2)**	**2.349.894**	**254.216**	**2.604.110**
2.1	Financial assets held for trading		2.339.315	254.216	2.593.531
2.1.1	Public sector debt securities		45.343	8.355	53.698
2.1.2	Equity securities		-	-	-
2.1.3	Assets on trading derivatives		2.258.281	245.861	2.504.142
2.1.4	Other securities		35.691	-	35.691
2.2	Financial assets at fair value through profit and loss		10.579	-	10.579
2.2.1	Public sector debt securities		-	-	-
2.2.2	Equity securities		-	-	-
2.2.3	Loans		10.579	-	10.579
2.2.4	Other securities		-	-	-
III.	**BANKS**	**(3)**	**17.657**	**1.282.115**	**1.299.772**
IV.	**MONEY MARKET PLACEMENTS**		**241.859**	**-**	**241.859**
4.1	Interbank money market placements		1.029	-	1.029
4.2	Istanbul Stock Exchange money market placements		240.830	-	240.830
4.3	Receivables from reverse repurchase agreements	(4)	-	-	-
V.	**INVESTMENT SECURITIES AVAILABLE-FOR-SALE (NET)**	**(5)**	**5.120.273**	**3.229.602**	**8.349.875**
5.1	Equity securities		4.779	70.891	75.670
5.2	Public sector debt securities		5.115.196	3.143.191	8.258.387
5.3	Other securities		298	15.520	15.818
VI.	**LOANS AND RECEIVABLES**	**(6)**	**63.275.332**	**19.153.024**	**82.428.356**
6.1	Loans and receivables		62.471.877	19.153.024	81.624.901
6.1.1	Loans to risk group of the Bank		98	48	146
6.1.2	Public sector debt securities		-	-	-
6.1.3	Other		62.471.779	19.152.976	81.624.755
6.2	Non-performing loans		4.344.169	-	4.344.169
6.3	Specific provisions (-)		3.540.714	-	3.540.714
VII.	**FACTORING RECEIVABLES**	**(7)**	**1.285.314**	**95.688**	**1.381.002**
VIII.	**INVESTMENT SECURITIES HELD TO MATURITY(NET)**	**(8)**	**3.740.199**	**3.428.465**	**7.168.664**
8.1	Public sector debt securities		3.740.199	2.826.843	6.567.042
8.2	Other securities		-	601.622	601.622
IX.	**INVESTMENT IN ASSOCIATES (NET)**	**(9)**	**3.766**	**-**	**3.766**
9.1	Equity method associates		-	-	-
9.2	Unconsolidated		3.766	-	3.766
9.2.1	Financial Investments		-	-	-
9.2.2	Non-financial Investments		3.766	-	3.766
X.	**INVESTMENT IN SUBSIDIARIES (NET)**	**(10)**	**18.054**	**-**	**18.054**
10.1	Unconsolidated financial investments		-	-	-
10.2	Unconsolidated non-financial investments		18.054	-	18.054
XI.	**ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (NET)**	**(11)**	**123.208**	**-**	**123.208**
11.1	Equity method entities under common control		120.408	-	120.408
11.2	Unconsolidated		2.800	-	2.800
11.2.1	Financial investments		-	-	-
11.2.2	Non-financial Investments		2.800	-	2.800
XII.	**LEASE RECEIVABLES (NET)**	**(12)**	**1.355.800**	**3.110.263**	**4.466.063**
12.1	Financial lease receivables		1.750.747	3.484.684	5.235.431
12.2	Operational lease receivables		-	-	-
12.3	Others		-	-	-
12.4	Unearned income (-)		394.947	374.421	769.368
XIII.	**DERIVATIVE FINANCIAL ASSETS HEDGING PURPOSES**	**(13)**	**2.875.719**	**62.407**	**2.938.126**
13.1	Fair value hedge		1.964.761	28.732	1.993.493
13.2	Cash flow hedge		910.958	33.675	944.633
13.3	Hedging of a net investment in foreign subsidiaries		-	-	-
XIV.	**TANGIBLE ASSETS (NET)**		**1.942.750**	**43**	**1.942.793**
XV.	**INTANGIBLE ASSETS (NET)**		**338.761**	**-**	**338.761**
15.1	Goodwill		-	-	-
15.2	Others		338.761	-	338.761
XVI.	**INVESTMENT PROPERTIES (NET)**	**(14)**	**-**	**-**	**-**
XVII.	**TAX ASSETS**	**(15)**	**47.075**	**-**	**47.075**
17.1	Current tax assets		12.181	-	12.181
17.2	Deferred tax assets		34.894	-	34.894
XVIII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)**	**(16)**	**-**	**-**	**-**
18.1	Held for sale		-	-	-
18.2	Discontinued operations		-	-	-
XIX.	**OTHER ASSETS**	**(17)**	**1.543.255**	**417.654**	**1.960.909**
	TOTAL ASSETS		**86.409.856**	**44.784.809**	**131.194.665**

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2018

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

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

				Audited 31.12.2018	
		Section 5 Part II	TL	FC	Total
I.	**DEPOSITS**	**(1)**	**44.763.096**	**42.063.120**	**86.826.216**
II.	**FUNDS BORROWED**	**(3)**	**1.102.021**	**19.450.212**	**20.552.233**
III.	**MONEY MARKET BORROWINGS**	**(4)**	**711.126**	**4.622.546**	**5.333.672**
IV.	**SECURITIES ISSUED (NET)**	**(5)**	**4.084.174**	**7.765.903**	**11.850.077**
4.1	Bills		3.482.767	388.754	3.871.521
4.2	Asset Backed Securities		436.650	-	436.650
4.3	Bonds		164.757	7.377.149	7.541.906
V.	**FUNDS**		**-**	**-**	**-**
5.1	Borrowers' Funds		-	-	-
5.2	Others		-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS (NET)**		**-**	**-**	**-**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**5.611.501**	**838.688**	**6.450.189**
7.1	Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net)	(2)	5.451.826	662.190	6.114.016
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	159.675	176.498	336.173
VIII.	**FACTORING PAYABLES**		**-**	**-**	**-**
IX.	**LEASE PAYABLES (NET)**	**(7)**	**-**	**-**	**-**
9.1	Financial Lease Payables		-	-	-
9.2	Operational Lease Payables		-	-	-
9.3	Others		-	-	-
9.4	Deferred Financial Lease Expenses (-)		-	-	-
X.	**PROVISIONS**	**(9)**	**826.061**	**-**	**826.061**
10.1	Restructuring Provisions		-	-	-
10.2	Reserve for Employee Benefits		452.523	-	452.523
10.3	Insurance Technical Provisions (Net)		-	-	-
10.4	Other Provisions		373.538	-	373.538
XI.	**CURRENT TAX LIABILITY**	**(10)**	**159.866**	**-**	**159.866**
XII.	**DEFERRED TAX LIABILITY**		**-**	**-**	**-**
XIII.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)**	**(11)**	**-**	**-**	**-**
13.1	Held for Sale		-	-	-
13.2	Discontinued Operations		-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**	**(12)**	**-**	**4.816.098**	**4.816.098**
14.1	Subordinated Loans		-	4.816.098	4.816.098
14.2	Other Debt Instruments		-	-	-
XV.	**OTHER LIABILITIES**		**5.189.832**	**6.892.547**	**12.082.379**
XVI.	**SHAREHOLDERS' EQUITY**		**15.088.886**	**(485.443)**	**14.603.443**
16.1	Paid-in Capital	(13)	3.350.000	-	3.350.000
16.2	Capital Reserves	(14)	714	-	714
16.2.1	Share Premium		714	-	714
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Other Capital Reserves		-	-	-
16.3	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		(52.953)	44.291	(8.662)
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		430.556	(529.734)	(99.178)
16.5	Profit Reserves		8.781.070	-	8.781.070
16.5.1	Legal Reserves		634.516	-	634.516
16.5.2	Status Reserves		-	-	-
16.5.3	Extraordinary Reserves		8.146.554	-	8.146.554
16.5.4	Other Profit Reserves		-	-	-
16.6	Profit/Loss		2.572.708	-	2.572.708
16.6.1	Prior Periods' Profit/Loss		-	-	-
16.6.2	Current Period's Net Profit/Loss		2.572.708	-	2.572.708
16.7	Minority Interest		6.791	-	6.791
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**77.536.563**	**85.963.671**	**163.500.234**

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2017

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

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

			Audited 31.12.2017		
		Section 5 Part II	TL	FC	Total
I.	**DEPOSITS**	**(1)**	**34.571.346**	**32.972.029**	**67.543.375**
1.1	Deposits from risk group of the Bank		608.766	31.874	640.640
1.2	Other		33.962.580	32.940.155	66.902.735
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**(2)**	**1.871.882**	**198.362**	**2.070.244**
III.	**FUNDS BORROWED**	**(3)**	**1.454.981**	**16.557.045**	**18.012.026**
IV.	**MONEY MARKET BORROWINGS**		**2.368.511**	**4.631.256**	**6.999.767**
4.1	Interbank money markets takings		-	-	-
4.2	Istanbul Stock Exchange money markets takings		509.609	-	509.609
4.3	Funds provided under repurchase agreements	(4)	1.858.902	4.631.256	6.490.158
V.	**SECURITIES ISSUED (NET)**	**(5)**	**4.403.345**	**5.994.680**	**10.398.025**
5.1	Bills		4.208.176	57.156	4.265.332
5.2	Asset backed securities		-	-	-
5.3	Bonds		195.169	5.937.524	6.132.693
VI.	**FUNDS**		**-**	**-**	**-**
6.1	Borrower funds		-	-	-
6.2	Other		-	-	-
VII.	**SUNDRY CREDITORS**		**2.679.544**	**3.535.867**	**6.215.411**
VIII.	**OTHER LIABILITIES**	**(6)**	**602.663**	**316.609**	**919.272**
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**
11.1	Fair value hedge		16.615	204.528	221.143
11.2	Cash flow hedge		280.204	34.727	314.931
11.3	Hedge of net investments in foreign subsidiaries		-	-	-
XII.	**PROVISIONS**	**(9)**	**2.092.983**	**-**	**2.092.983**
12.1	General provisions		1.397.267	-	1.397.267
12.2	Restructuring provisions		-	-	-
12.3	Reserve for employee benefits		379.810	-	379.810
12.4	Insurance technical provisions (Net)		-	-	-
12.5	Other provisions		315.906	-	315.906
XIII.	**TAX LIABILITY**	**(10)**	**468.310**	**-**	**468.310**
13.1	Current tax liability		419.559	-	419.559
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**
XVI.	**SHAREHOLDERS' EQUITY**		**12.581.490**	**(153.149)**	**12.428.341**
16.1	Paid-in capital	(13)	3.350.000	-	3.350.000
16.2	Capital reserves		87.823	(153.149)	(65.326)
16.2.1	Share premium	(14)	714	-	714
16.2.2	Share cancellation profits		-	-	-
16.2.3	Securities value increase fund	(15)	(53.163)	(176.412)	(229.575)
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
16.2.9	Accumulated valuation differences from assets held for sale and discontinued operations		-	-	-
16.2.10	Other capital reserves		(68.312)	-	(68.312)
16.3	Profit reserves		7.365.587	-	7.365.587
16.3.1	Legal reserves		550.059	-	550.059
16.3.2	Status reserves		-	-	-
16.3.3	Extraordinary reserves		6.815.528	-	6.815.528
16.3.4	Other profit reserves		-	-	-
16.4	Profit or loss		1.771.786	-	1.771.786
16.4.1	Prior years' income/(losses)		-	-	-
16.4.2	Current period income/(loss)		1.771.786	-	1.771.786
16.5	Minority shares		6.294	-	6.294
	TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**63.391.874**	**67.802.791**	**131.194.665**

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OFF BALANCE SHEET
FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2018

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

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

				Audited 31.12.2018	
		Section 5 Part III	TL	FC	TOTAL
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**130.725.576**	**177.963.434**	**308.689.010**
I.	**GUARANTEES**	(1), (2), (3),(4)	**8.744.817**	**14.944.429**	**23.689.246**
1.1.	Letters of guarantee		8.728.878	8.756.308	17.485.186
1.1.1.	Guarantees subject to State Tender Law		363.694	43.691	407.385
1.1.2.	Guarantees given for foreign trade operations		4.414.542	8.712.617	13.127.159
1.1.3.	Other letters of guarantee		3.950.642	-	3.950.642
1.2.	Bank loans		15.820	4.460.434	4.476.254
1.2.1.	Import letter of acceptance		15.820	4.460.434	4.476.254
1.2.2.	Other bank acceptances		-	-	-
1.3.	Letters of credit		119	1.727.687	1.727.806
1.3.1.	Documentary letters of credit		119	1.682.271	1.682.390
1.3.2.	Other letters of credit		-	45.416	45.416
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**		**63.715.808**	**3.974.340**	**67.690.148**
2.1.	Irrevocable commitments	(1)	36.609.777	2.179.323	38.789.100
2.1.1.	Forward asset purchase commitments		427.989	1.718.222	2.146.211
2.1.2.	Forward deposit purchase and sales commitments		-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-
2.1.4.	Loan granting commitments		10.851.659	526	10.852.185
2.1.5.	Securities underwriting commitments		-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Payment commitment for checks		2.181.264	-	2.181.264
2.1.8.	Tax and fund liabilities from export commitments		28.728	-	28.728
2.1.9.	Commitments for credit card expenditure limits		22.362.300	-	22.362.300
2.1.10.	Commitments for promotions related with credit cards and banking activities		29.958	-	29.958
2.1.11.	Receivables from short sale commitments		-	-	-
2.1.12.	Payables for short sale commitments		-	-	-
2.1.13.	Other irrevocable commitments		727.879	460.575	1.188.454
2.2.	Revocable commitments		27.106.031	1.795.017	28.901.048
2.2.1.	Revocable loan granting commitments		27.048.976	1.678.758	28.727.734
2.2.2.	Other revocable commitments		57.055	116.259	173.314
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	(5), (6)	**58.264.951**	**159.044.665**	**217.309.616**
3.1	Derivative financial instruments for hedging purposes		18.063.782	47.418.740	65.482.522
3.1.1	Fair value hedge		6.676.382	17.556.538	24.232.920
3.1.2	Cash flow hedge		11.387.400	29.862.202	41.249.602
3.1.3	Hedge of net investment in foreign operations		-	-	-
3.2	Held for trading transactions		40.201.169	111.625.925	151.827.094
3.2.1	Forward foreign currency buy/sell transactions		2.517.071	4.581.723	7.098.794
3.2.1.1	Forward foreign currency transactions-buy		1.335.604	2.193.969	3.529.573
3.2.1.2	Forward foreign currency transactions-sell		1.181.467	2.387.754	3.569.221
3.2.2	Swap transactions related to foreign currency and interest rates		32.179.059	99.168.311	131.347.370
3.2.2.1	Foreign currency swap-buy		14.037.137	30.588.966	44.626.103
3.2.2.2	Foreign currency swap-sell		16.501.922	28.568.691	45.070.613
3.2.2.3	Interest rate swaps-buy		820.000	20.005.327	20.825.327
3.2.2.4	Interest rate swaps-sell		820.000	20.005.327	20.825.327
3.2.3	Foreign currency, interest rate and securities options		5.505.039	6.823.437	12.328.476
3.2.3.1	Foreign currency options-buy		2.341.029	3.789.135	6.130.164
3.2.3.2	Foreign currency options-sell		3.164.010	3.034.302	6.198.312
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		-	237.014	237.014
3.2.4.1	Foreign currency futures-buy		-	118.507	118.507
3.2.4.2	Foreign currency futures-sell		-	118.507	118.507
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		-	815.440	815.440
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**739.031.665**	**166.377.574**	**905.409.239**
IV.	**ITEMS HELD IN CUSTODY**		**70.978.459**	**7.436.300**	**78.414.759**
4.1.	Assets under management		2.215.608	15.581	2.231.189
4.2.	Investment securities held in custody		34.063.877	2.863.101	36.926.978
4.3.	Checks received for collection		4.428.561	688.567	5.117.128
4.4.	Commercial notes received for collection		1.516.634	342.062	1.858.696
4.5.	Other assets received for collection		-	-	-
4.6.	Assets received for public offering		-	-	-
4.7.	Other items under custody		28.753.779	3.526.989	32.280.768
4.8.	Custodians		-	-	-
V.	**PLEDGED ITEMS**		**406.521.737**	**96.312.753**	**502.834.490**
5.1.	Marketable securities		2.540.568	8.044.413	10.584.981
5.2.	Guarantee notes		442.693	131.866	574.559
5.3.	Commodity		66.090	-	66.090
5.4.	Warranty		-	-	-
5.5.	Properties		90.756.028	53.481.420	144.237.448
5.6.	Other pledged items		312.716.358	34.655.054	347.371.412
5.7.	Pledged items-depository		-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**261.531.469**	**62.628.521**	**324.159.990**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**869.757.241**	**344.341.008**	**1.214.098.249**

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

(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	
		Section 5 Part III	TL	FC	TOTAL
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**133.957.021**	**134.110.696**	**268.067.717**
I.	**GUARANTEES**	(1), (2), (3),(4)	**8.839.416**	**10.475.633**	**19.315.049**
1.1.	Letters of guarantee		8.818.479	5.700.387	14.518.866
1.1.1.	Guarantees subject to State Tender Law		426.846	30.598	457.444
1.1.2.	Guarantees given for foreign trade operations		4.699.770	5.669.789	10.369.559
1.1.3.	Other letters of guarantee		3.691.863	-	3.691.863
1.2.	Bank loans		19.991	2.992.901	3.012.892
1.2.1.	Import letter of acceptance		19.991	2.992.901	3.012.892
1.2.2.	Other bank acceptances		-	-	-
1.3.	Letters of credit		946	1.782.345	1.783.291
1.3.1.	Documentary letters of credit		946	1.713.499	1.714.445
1.3.2.	Other letters of credit		-	68.846	68.846
1.4.	Prefinancing given as guarantee		-	-	-
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2.	Other endorsements		-	-	-
1.6.	Securities issue purchase guarantees		-	-	-
1.7.	Factoring guarantees		-	-	-
1.8.	Other guarantees		-	-	-
1.9.	Other collaterals		-	-	-
II.	**COMMITMENTS**		**51.328.750**	**3.053.424**	**54.382.174**
2.1.	Irrevocable commitments	(1)	31.191.593	2.360.737	33.552.330
2.1.1.	Forward asset purchase commitments		954.489	1.835.755	2.790.244
2.1.2.	Forward deposit purchase and sales commitments		-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-
2.1.4.	Loan granting commitments		9.774.194	381	9.774.575
2.1.5.	Securities underwriting commitments		-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Payment commitment for checks		2.754.045	-	2.754.045
2.1.8.	Tax and fund liabilities from export commitments		15.358	-	15.358
2.1.9.	Commitments for credit card expenditure limits		17.115.833	-	17.115.833
2.1.10.	Commitments for promotions related with credit cards and banking activities		45.880	-	45.880
2.1.11.	Receivables from short sale commitments		-	-	-
2.1.12.	Payables for short sale commitments		-	-	-
2.1.13.	Other irrevocable commitments		531.794	524.601	1.056.395
2.2.	Revocable commitments		20.137.157	692.687	20.829.844
2.2.1.	Revocable loan granting commitments		20.014.047	-	20.014.047
2.2.2.	Other revocable commitments		123.110	692.687	815.797
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	(5), (6)	**73.788.855**	**120.581.639**	**194.370.494**
3.1	Derivative financial instruments for hedging purposes		22.268.172	32.261.118	54.529.290
3.1.1	Fair value hedge		5.431.066	13.715.948	19.147.014
3.1.2	Cash flow hedge		16.837.106	18.545.170	35.382.276
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
3.2.1	Forward foreign currency buy/sell transactions		4.523.196	6.139.645	10.662.841
3.2.1.1	Forward foreign currency transactions-buy		1.583.405	3.700.991	5.284.396
3.2.1.2	Forward foreign currency transactions-sell		2.939.791	2.438.654	5.378.445
3.2.2	Swap transactions related to foreign currency and interest rates		43.347.695	77.340.514	120.688.209
3.2.2.1	Foreign currency swap-buy		20.571.584	30.250.673	50.822.257
3.2.2.2	Foreign currency swap-sell		22.776.111	26.809.173	49.585.284
3.2.2.3	Interest rate swaps-buy		-	10.140.334	10.140.334
3.2.2.4	Interest rate swaps-sell		-	10.140.334	10.140.334
3.2.3	Foreign currency, interest rate and securities options		3.626.434	4.025.073	7.651.507
3.2.3.1	Foreign currency options-buy		1.485.641	2.325.582	3.811.223
3.2.3.2	Foreign currency options-sell		2.140.793	1.699.491	3.840.284
3.2.3.3	Interest rate options-buy		-	-	-
3.2.3.4	Interest rate options-sell		-	-	-
3.2.3.5	Securities options-buy		-	-	-
3.2.3.6	Securities options-sell		-	-	-
3.2.4	Foreign currency futures		23.358	186.573	209.931
3.2.4.1	Foreign currency futures-buy		23.358	81.855	105.213
3.2.4.2	Foreign currency futures-sell		-	104.718	104.718
3.2.5	Interest rate futures		-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-
3.2.6	Other		-	628.716	628.716
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**662.053.285**	**112.343.143**	**774.396.428**
IV.	**ITEMS HELD IN CUSTODY**		**56.509.094**	**3.646.425**	**60.155.519**
4.1.	Assets under management		3.489.199	2.550	3.491.749
4.2.	Investment securities held in custody		23.911.288	637.461	24.548.749
4.3.	Checks received for collection		5.005.477	482.806	5.488.283
4.4.	Commercial notes received for collection		1.228.379	220.269	1.448.648
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
4.8.	Custodians		-	-	-
V.	**PLEDGED ITEMS**		**369.611.511**	**64.199.119**	**433.810.630**
5.1.	Marketable securities		1.750.774	6.076.387	7.827.161
5.2.	Guarantee notes		338.396	110.531	448.927
5.3.	Commodity		58.875	-	58.875
5.4.	Warranty		-	-	-
5.5.	Properties		85.341.634	36.591.013	121.932.647
5.6.	Other pledged items		282.121.832	21.421.188	303.543.020
5.7.	Pledged items-depository		-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**235.932.680**	**44.497.599**	**280.430.279**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**796.010.306**	**246.453.839**	**1.042.464.145**

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2018 (STATEMENT OF INCOME/LOSS)

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

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Section5 Part IV	Audited 01.01 - 31.12.2018
I.	**INTEREST INCOME**	**(1)**	**17.184.574**
1.1	Interest income on loans		13.405.224
1.2	Interest income on reserve deposits		200.684
1.3	Interest income on banks		201.643
1.4	Interest income on money market transactions		38.928
1.5	Interest income on securities portfolio		2.551.730
1.5.1	Financial assets measured at FVTPL		2.252
1.5.2	Financial assets measured at FVOCI		820.642
1.5.3	Financial assets measured at amortized cost		1.728.836
1.6	Financial lease income		493.419
1.7	Other interest income		292.946
II.	**INTEREST EXPENSE (-)**	**(2)**	**9.306.793**
2.1	Interest on deposits		6.472.132
2.2	Interest on funds borrowed		1.339.723
2.3	Interest on money market transactions		430.607
2.4	Interest on securities issued		1.047.798
2.5	Other interest expenses		16.533
III.	**NET INTEREST INCOME/EXPENSE (I-II)**		**7.877.781**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**2.252.137**
4.1	Fees and commissions received		2.799.449
4.1.1	Non-cash loans		114.751
4.1.2	Others		2.684.698
4.2	Fees and commissions paid (-)		547.312
4.2.1	Non-cash loans		1.602
4.2.2	Others		545.710
V.	**PERSONNEL EXPENSES (-)**	**(7)**	**1.521.226**
VI	**DIVIDEND INCOME**	**(3)**	**5.716**
VII.	**NET TRADING INCOME/LOSS (NET)**	**(4)**	**(1.222.167)**
7.1	Trading account gain/losses		17.224
7.2	Gain/losses from derivative transactions		702.547
7.3	Foreign exchange gain/losses		(1.941.938)
VIII.	**OTHER OPERATING INCOME**	**(5)**	**75.007**
IX.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII+VIII)**		**7.467.248**
X.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**2.231.296**
XI.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**2.009.800**
XII.	**NET OPERATING PROFIT/LOSS (IX-X-XI)**		**3.226.152**
XIII.	**INCOME RESULTED FROM MERGERS**		**-**
XIV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**44.789**
XV.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**
XVI.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)**	**(8)**	**3.270.941**
XVII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	**(9)**	**(697.736)**
17.1	Current tax charge		(802.797)
17.2	Deferred tax charge (+)		1.117.542
17.3	Deferred tax credit (-)		(1.012.481)
XVIII.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)**	**(10)**	**2.573.205**
XIX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**
19.1	Income from assets held for sale		-
19.2	Income from sale of associates, subsidiaries and joint-ventures		-
19.3	Others		-
XX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**
20.1	Expenses on assets held for sale		-
20.2	Expenses on sale of associates, subsidiaries and joint-ventures		-
20.3	Others		-
XXI.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)**		**-**
XXII.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**		**-**
22.1	Current tax charge		-
22.2	Deferred tax charge (+)		-
22.3	Deferred tax credit (-)		-
XXIII.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)**		**-**
XXIV.	**NET PROFIT/LOSS (XVIII+XXIII)**	**(11)**	**2.573.205**
24.1	Group's profit/loss		2.572.708
24.2	Minority interest		497
	Earnings Per Share (TL)		0,07680

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

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

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

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Section 5 Part IV	Audited 01.01 – 31.12.2017
I.	**INTEREST INCOME**	**(1)**	**11.404.451**
1.1	Interest income on loans		9.312.291
1.2	Interest income on reserve deposits		113.120
1.3	Interest income on banks		202.038
1.4	Interest income on money market transactions		55.716
1.5	Interest income on securities portfolio		1.241.311
1.5.1	Financial assets measured at FVTPL		5.344
1.5.2	Financial assets measured at FVOCI		1.898
1.5.3	Financial assets measured at amortized cost		617.790
1.5.4	Financial lease income		616.279
1.6	Other interest income		312.474
1.7	**INTEREST EXPENSE (-)**		167.501
II.	Interest on deposits	**(2)**	**5.588.804**
2.1	Interest on funds borrowed		4.064.811
2.2	Interest on money market transactions		771.896
2.3	Interest on securities issued		186.345
2.4	Other interest expenses		544.570
2.5	**NET INTEREST INCOME/EXPENSE (I - II)**		21.182
III.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**5.815.647**
IV.	Fees and commissions received		**1.782.588**
4.1	Non-cash loans		2.148.614
4.1.1	Others		84.629
4.1.2	Fees and commissions paid (-)		2.063.985
4.2	Non-cash loans		366.026
4.2.1	Others		1.481
4.2.2	**PERSONNEL EXPENSES (-)**		364.545
V.	**DIVIDEND INCOME**	**(3)**	**1.454**
VI.	**NET TRADING INCOME/LOSS (NET)**	**(4)**	**(1.142.488)**
6.1	Trading account gain/losses		9.307
6.2	Gain/losses from derivative transactions		(1.178.370)
6.3	Foreign exchange gain/losses		26.575
VII.	**OTHER OPERATING INCOME**	**(5)**	**140.407**
VIII.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII+VIII)**		**6.597.608**
IX.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**1.268.992**
X.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**3.125.770**
XI.	**NET OPERATING PROFIT/LOSS (IX-X-XI)**		**2.202.846**
XII.	**INCOME RESULTED FROM MERGERS**		**-**
XIII.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**38.531**
XIV.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**
XV.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)**	**(8)**	**2.241.377**
XVI.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	**(9)**	**(469.026)**
16.1	Current tax charge		(475.297)
16.2	Deferred tax charge (+)		6.271
XVII.	Deferred tax credit (-)	**(10)**	**1.772.351**
XVIII.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)**		**-**
18.1	**INCOME FROM DISCONTINUED OPERATIONS**		-
18.2	Income from assets held for sale		-
18.3	Income from sale of associates, subsidiaries and joint-ventures		-
XIX.	Others		**-**
19.1	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-
19.2	Expenses on assets held for sale		-
19.3	Expenses on sale of associates, subsidiaries and joint-ventures		-
XX.	Others	**(8)**	**-**
XXI.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)**	**(9)**	**-**
21.1	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**		-
21.2	Current tax charge		-
XXII.	Deferred tax charge (+)	**(10)**	**-**
XXIII.	Deferred tax credit (-)	**(11)**	**1.772.351**
23.1	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)**		1.771.786
23.2	**NET PROFIT/LOSS (XVIII+XXIII)**		565
	Group's profit/loss (TL)		0,05289

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

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

IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited 01.01 – 31.12.2018
I.	**CURRENT PERIOD PROFIT/LOSS**	**2.573.205**
II.	**OTHER COMPREHENSIVE INCOME**	**(130.313)**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**38.099**
2.1.1	Revaluation Surplus on Tangible Assets	-
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	19.691
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	24.064
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(5.656)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**(168.412)**
2.2.1	Translation Differences	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(424.103)
2.2.3	Gains/losses from Cash Flow Hedges	209.669
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	46.022
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**2.442.892**

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

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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 PERIOD THEN 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 Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity Attributable to the Parent Shareholders	Non-controlling interest	Total Shareholders' Equity
	Prior period – 01.01.-31.12.2017																			
I.	**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**		-	-	-	-	-	-	-	-	-	-	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**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Disposal of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Reclassification of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Effect of change in associates' equity**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**Capital increase**		200.000	-	-	-	-	-	(200.000)	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		200.000	-	-	-	-	-	(200.000)	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share premium**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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**		-	-	-	-	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

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

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 PERIOD THEN ENDED DECEMBER 31, 2018

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
	Audited	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others (*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
	Current Period - 01.01 – 31.12.2018																	
I.	**Balances at Beginning of Period**		3.350.000	714	-	-	-	(68.312)	21.551	-	(251.126)	231.847	7.365.587	1.771.786	-	12.422.047	6.294	12.428.341
II.	**Correction made as per TAS 8** (***)		-	-	-	-	-	-	-	-	88.513	-	-	(256.303)	-	(167.790)	-	(167.790)
2.1	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	88.513	-	-	(256.303)	-	(167.790)	-	(167.790)
III.	**Adjusted Balances at Beginning of Period (I+II)**		3.350.000	714	-	-	-	(68.312)	21.551	-	(162.613)	231.847	7.365.587	1.515.483	-	12.254.257	6.294	12.260.551
IV.	**Total Comprehensive Income**		-	-	-	-	-	15.359	22.740	-	(333.729)	165.317	-	-	2.572.708	2.442.395	497	2.442.892
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	1.415.483	(1.515.483)	-	(100.000)	-	(100.000)
11.1	**Dividends**		-	-	-	-	-	-	-	-	-	-	-	(100.000)	-	(100.000)	-	(100.000)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	1.415.483	(1.415.483)	-	-	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV…+X+XI)		3.350.000	714	-	-	-	(52.953)	44.291	-	(496.342)	397.164	8.781.070	-	2.572.708	14.596.652	6.791	14.603.443

(*) Accumulated amounts of share of investments accounted for by the equity method that can not be classified as profit / loss from other comprehensive income with other comprehensive income that will not be reclassified to other profit or loss
(**) Accumulated amount of cash flow hedge gains / losses, equity attributable to equity holders of the Group for profit or loss from other comprehensive income and other comprehensive income to be reclassified to other profit or loss
(***) TFRS 9 explained in related discclosures Section three part XXVI.
Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

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

VI. CONSOLIDATED CASH FLOW STATEMENT

		Section 5 Part VI	Audited 01.01–31.12.2018
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities (+)**		**7.306.839**
1.1.1	Interest received		14.365.902
1.1.2	Interest paid		(4.784.748)
1.1.3	Dividend received		5.716
1.1.4	Fees and commissions received		2.801.282
1.1.5	Other income		75.007
1.1.6	Collections from previously written off loans		1.261.968
1.1.7	Payments to personnel and service suppliers		(2.639.452)
1.1.8	Taxes paid		(591.048)
1.1.9	Other	(1)	(3.187.788)
1.2	**Changes in operating assets and liabilities**		**(1.110.132)**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss		132.395
1.2.2	Net (increase) decrease in due from banks		182.022
1.2.3	Net (increase) decrease in loans		(7.189.232)
1.2.4	Net (increase) decrease in other assets	(1)	(3.610.949)
1.2.5	Net increase (decrease) in bank deposits		1.123.770
1.2.6	Net increase (decrease) in other deposits		7.509.231
1.2.7	Net (increase) decrease in financial liabilities measured at fair value through profit and loss		-
1.2.8	Net increase (decrease) in funds borrowed		(2.398.475)
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities	(1)	3.141.106
I.	**Net cash provided from banking operations (+/-)**		**6.196.707**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from / (used in) investing activities (+/-)**		**(2.894.114)**
2.1	Purchase of entities under common control, associates and subsidiaries		-
2.2	Sale of entities under common control, associates and subsidiaries		-
2.3	Fixed assets purchases		(225.886)
2.4	Fixed assets sales		16.297
2.5	Purchase of financial assets measured at fair value through other comprehensive income		(2.364.582)
2.6	Sale of financial assets measured at fair value through other comprehensive income		1.237.280
2.7	Purchase of Financial Assets Measured at Amortized Cost		(2.201.072)
2.8	Sale of Financial Assets Measured at Amortized Cost		837.723
2.9	Other	(1)	(193.874)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash provided from / (used in) financing activities (+/-)**		**(166.198)**
3.1	Cash obtained from funds borrowed and securities issued		3.075.596
3.2	Cash used for repayment of funds borrowed and securities issued		(3.141.794)
3.3	Capital increase		-
3.4	Dividends paid		(100.000)
3.5	Payments for finance leases		-
3.6	Other		-
IV.	**Effect of foreign currency translation differences on cash and cash equivalents (+/-)**		**(39.314)**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**	**(2)**	**3.097.081**
VI.	**Cash and cash equivalents at the beginning of the period (+)**	**(3)**	**6.087.371**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**9.184.452**

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED PERIOD THEN 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
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities (+)**		**3.523.398**
1.1.1	Interest received (+)		10.513.324
1.1.2	Interest paid (-)		(5.301.535)
1.1.3	Dividend received (+)		1.454
1.1.4	Fees and commissions received (+)		2.126.282
1.1.5	Other income (+)		126.554
1.1.6	Collections from previously written off loans (+)		82.189
1.1.7	Payments to personnel and service suppliers (-)		(2.399.794)
1.1.8	Taxes paid (-)		(340.138)
1.1.9	Other (+/-)		(1.284.938)
1.2	**Changes in operating assets and liabilities**		**(5.658.659)**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss (+/-)		(36.175)
1.2.2	Net (increase) decrease in due from banks (+/-)		(3.218)
1.2.3	Net (increase) decrease in loans (+/-)		(2.184.513)
1.2.4	Net (increase) decrease in other assets (+/-)		(16.901.269)
1.2.5	Net increase (decrease) in bank deposits (+/-)		(2.744.136)
1.2.6	Net increase (decrease) in other deposits (+/-)		443.065
1.2.7	Net (increase) decrease in financial assets measured at fair value through other comprehensive income (+/-)		10.402.478
1.2.8	Net increase (decrease) in funds borrowed (+/-)		5.310.442
1.2.9	Net increase (decrease) in matured payables (+/-)		-
1.2.10	Net increase (decrease) in other liabilities (+/-)		54.667
I.	**Net cash provided from banking operations (+/-)**		**(2.135.261)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from / (used in) investing activities (+/-)**		**(1.788.630)**
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)
2.4	Fixed assets sales (+)		19.693
2.5	Cash paid for purchase of financial assets measured at fair value through other comprehensive income (-)		(2.498.676)
2.6	Cash obtained from sale of financial assets measured at fair value through other comprehensive income (+)		1.708.781
2.7	Cash paid for purchase of Financial Assets Measured at Amortized Cost (-)		(829.915)
2.8	Cash obtained from sale of Financial Assets Measured at Amortized Cost (+)		140.075
2.9	Other (+/-)		(165.044)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash provided from / (used in) financing activities (+/-)**		**3.944.017**
3.1	Cash obtained from funds borrowed and securities issued (+)		5.123.665
3.2	Cash used for repayment of funds borrowed and securities issued (-)		(1.149.648)
3.3	Capital increase (+)		-
3.4	Dividends paid (-)		-
3.5	Payments for finance leases (-)		-
3.6	Other (+/-)		(30.000)
IV.	**Effect of foreign currency translation differences on cash and cash equivalents (+/-)**		**157.301**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**177.427**
VI.	**Cash and cash equivalents at the beginning of the period (+)**		**5.909.944**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**6.087.371**

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

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

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

VII. CONSOLIDATED PROFIT APPROPRIATION STATEMENT (*)

		Audited Current Year 31.12.2018(**)	Audited Prior Period 31.12.2017
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	CURRENT YEAR INCOME	3.058.741	2.048.965
1.2	TAXES AND DUTIES PAYABLE	648.912	445.524
1.2.1	CORPORATE TAX (INCOME TAX)	711.041	446.266
1.2.2	INCOME WITHHOLDING TAX	-	-
1.2.3	OTHER TAXES AND DUTIES	(62.129)	(742)
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**2.409.829**	**1.603.441**
1.3	PRIOR YEAR LOSSES(-)	-	-
1.4	FIRST LEGAL RESERVES(-)	-	80.172
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**2.409.829**	**1.523.269**
1.6	FIRST DIVIDEND TO SHAREHOLDERS(-)	-	100.000
1.6.1	TO OWNERS OF ORDINARY SHARES	-	100.000(***)
1.6.2	TO OWNERS OF PRIVILEGED SHARES	-	-
1.6.3	TO OWENERS 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 OWENERS 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	-	(1.423.269)
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 OWENERS 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 (TL)	0,07194	0,04786
3.2	TO OWNERS OF ORDINARY SHARES (%)	7,19%	4,79%
3.3	TO OWNERS OF PRIVILEGED SHARES (TL)	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF ORDINARY SHARES (TL)	-	0,00299
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	0,30%
4.3	TO OWNERS OF PRIVILEGED SHARES (TL)	-	-
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 2018 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.

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 Bank prepared the accompanying consolidated financial statements regarding to the Banking Law No.5411 "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents", dated November 1, 2006 which is published in the Official Gazette No: 26333, which refers to "Turkish Accounting Standards" ("TAS"), put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"), and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency ("BRSA") and in case where a specific regulation is not made by BRSA, the format and detail of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements".

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

Accounting policies and valuation principles used in the preparation of the consolidated financial statements are determined and applied, in accordance with the regulations, communiques, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"),and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2017 except for the application of TFRS 9. The Group has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated January 19, 2017 in lieu of TAS 39 Financial Instruments: "Accounting and Measurement" starting from January 1, 2018. TFRS 9 sets out the new principles for the classification and measurement of financial instruments and expected credit loss which will be calculated for financial assets.

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

Consolidated financial statements are prepared in TL accordance with the historical cost basis except for financial instruments measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income, derivative financial assets and liabilities. In addition, carrying value of assets subject to fair value hedge but are carried at historical cost is adjusted to reflect fair value changes related to risks being hedged.

The preparation of consolidated financial statements in conformity with TFRS 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.

2.1. Changes in Accounting policies and disclosures

2.1.1. Major new and amended standards and interpretations

The Bank and its consolidated financial subsidiaries have started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the accompanying consolidated financial statements starting from January 1, 2018 for the first time based on the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans which came into force starting from January 1, 2018. TFRS 15 and other new TFRS/ TAS amendments in effect do not have significant impact on the accounting policies, financial position and performance of the Bank and its consolidated financial subsidiaries.In addition, the bank completed its compliance studies with the TFRS 16 Leases (TFRS 16), effective from January 1, 2019, and concluded that the impact of the standard on the financial statements as of December 31, 2018 would increase the total assets and liabilities within the range of 0,2 - 0,3%.

2.1.2. The standards which are effective as of January 1, 2018

TFRS 9 Financial Instruments

As of January 1, 2018, the Bank and its consolidated financial subsidiaries have started to apply TFRS 9 standard which replaces TAS 39 Financial Instruments: Recognition and Measurement for the first time in the consolidated financial statements. TFRS 9 also includes new hedge accounting rules aiming alignment with risk management activities.

TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting provisions of TAS 39 as a policy choice. Accordingly, the Bank and its consolidated financial subsidiaries continue to apply hedge accounting in accordance with TAS 39 in this context. The Parent Bank continued to apply the provisions of TAS 39 hedge accounting. The Parent Bank has not restated the comparative information for financial instruments within the scope of TFRS 9 for the year 2017, and the transition impact on the financial statements regarding first time adoption of TFRS 9 as of January 1, 2018 is presented in prior period profit and loss in the statement of changes in equity for the period ended. The financial statements and the notes to the financial statements have not been presented comparatively since the current period and prior period financial statements have been prepared on different basis.

As of January 1, 2018, the transition effects on the Financial Statements for the initial application of TFRS 9 are presented in note XXVII.

Amendments to classification and measurement of financial assets in accordance with TFRS 9, except for equity instruments and derivative instruments for the classification and measurement of financial assets, the business model and cash flow characteristics are managed based on which the assets are managed. The TAS 39 measurement categories of financial assets at fair value through profit or loss, available for sale and held-to-maturity have been replaced by: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost, respectively as a consequence of TFRS 9. Details of the parent bank's classification and measurement of financial assets are included in note VII.

TFRS 9 has changed the accounting for loan loss impairments by replacing TAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. It is formed an impairment model having 3 stages based on the change in credit quality since initial recognition. The approach of regarding measurement of credit impairment is presented in note VIII.

TFRS 15 Revenue from contracts with customers

TFRS 15 Revenue from contracts with customers standard provides single and comprehensive model and guidance regarding recognition of revenue and replaces TAS 18 Revenue standard. The standard is in effect starting from January 1, 2018 and does not have significant impact on the consolidated financial statements.

2.1.3. The new standards not effective as of January 1, 2018

TFRS 16 Leases

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The standard is effective from annual periods beginning on or after January 1, 2019 and the adoption process regarding the mentioned amendments continues as of the reporting date. In addition, the bank completed its compliance studies with the TFRS 16 Leases (TFRS 16), effective from January 1, 2019, and concluded that the impact of the standard on the financial statements as of December 31, 2018 would increase the total assets and liabilities within the range of 0,2 - 0,3%.

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

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

1. Strategy for the use of financial instruments

The major funding sources of the 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 line with the sector. Domestic bond issues are realized within the maturity of 6 months and foreign bond issues are based on long maturities with fixed interests. Funds borrowed from abroad mostly bear floating rates and are reprised at an average period of 3-6 months. The Parent Bank diverts its placements to assets with high return and 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 by interest and currency risk factors, which affect the securities portfolio that is subject to market risk, as well as determining the risk tolerance based on the total value at risk. The above mentioned limits are revised annually.

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

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

2. Foreign currency transactions

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

The 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, 2018 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 period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Parent Bank’s foreign currency exchange rates for the related period ends are as follows:

	December 31, 2018	December 31, 2017
US Dollar	TL 5,2609	TL 3,8104
Euro	TL 6,0280	TL 4,5478

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

The foreign currency position of the Parent Bank and the profit / loss from the foreign exchange transactions realized are included in the income statement of foreign exchange gains / losses and income/losses from derivative financial instruments in the income statement. While gain / loss from spot foreign exchange transactions are included in the profit / loss item of foreign exchange gain/loss on balance sheet, profit / loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income / loss statement of derivative financial instruments. Therefore, in order to determine the net profit / loss effects of foreign exchange transactions, two balances should be assessed together. As of December 31, 2018, net foreign exchange transaction income is TL 778.132 (December 31, 2017-TL 223.324 net foreign exchange transaction income) when the net interest expense amounting to TL 2.017.523 (December 31, 2017- TL 1.375.119) arising from derivative transactions is excluded from the derivative transactions income amounting to TL 702.547 (December 31, 2017- TL 1.178.370 derivative transactions loss) and foreign exchange loss amounting to TL 1.941.938 (December 31, 2017- TL 26.575 net foreign exchange income).

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

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, 2018	December 31, 2017
1. QNB Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım)	Full consolidation	Turkey	Securities Intermediary Services	100,00	100,00
2. QNB 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. QNB Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full consolidation	Turkey	Financial Leasing	99,40	99,40
5. QNB Finans Faktoring A.Ş. (Finans Faktoring)	Full consolidation	Turkey	Factoring Services	100,00	100,00
6. QNB Finans Varlık Kiralama Şirketi A.Ş.	Full consolidation	Turkey	Asset Leasing	100,00	-
6. Cigna Finans Emeklilik ve Hayat A.Ş. (Cigna Finans Emeklilik)	Full consolidation	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 Financial 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, 2018.

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 Parent Bank's returns.

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 Parent 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 the 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 the 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 subsidiary's or joint venture's accordingly recalculated value.

IV. Explanations on Derivative Financial Assets and Liabilities

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 customer deposits and 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 against interest rate risk.

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

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

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

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

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

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

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

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

<u>In cash flow hedge accounting:</u>

The Parent 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 Parent Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss" (December 31, 2017 : "Hedging Funds"), whereas the amount concerning ineffective parts is associated with the income statement.

Subsidiary QNB Finans Finansal Kiralama uses cash flow hedge accounting to hedge interest rate changes on floating rate borrowings and floating interest rate securities.

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 financial assets measured at fair value through other comprehensive income (December 31, 2017: Available for sale) portfolio against interest rate fluctuations.

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term TL government bonds with fixed coupon payment in financial assets measured at fair value through other comprehensive income (December 31, 2017: Available for sale) portfolio using swap transactions as hedging instruments.

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.

QNB Finans Finansal Kiralama AŞ., the subsidiary of the Parent 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.

QNB Finans Finansal Kiralama AŞ., the subsidiary of the Parent 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 QNB Finans Finansal Kiralama AŞ., the subsidiary of the Parent 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 and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

As of September 30, 2018, the Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market. Fair value exchange difference adjustment amounting to TL 1.253.266 which is shown in tangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

V. Explanations on Interest Income and Expenses

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

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

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

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

Classification of financial instruments

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

As per TFRS 9, the Parent Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. The Parent Bank tested all financial assets whether their “contractual cash-flows solely represent payments of principal and interest” and assessed the asset classification within the business model.

Assessment of business model

As per TFRS 9, the Parent Bank’s business model is determined at a level that reflects how groups of financial

assets are managed together to achieve a particular business objective.

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

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

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

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

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

Other business models

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

Measurement categories of financial assets and liabilities

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

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

Financial assets at the fair value through profit or loss

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

The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

Financial assets at fair value through profit and loss ,which are recognized in accordance with the parent bank's business model, have stocks, bonds and bills.The Parent Bank has classified the related loan to financial assets at fair value through profit or loss in accordance with TFRS 9, since the terms of the contract for a loan extended to the private purpose company in December 2018 have not resulted in cash flows that include interest payments due to principal and principal balance at certain dates.

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

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

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

Financial Assets Measured at Amortized Cost:

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

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

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

VIII Explanations on Expected Credit Losses:

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

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

Stage 1:

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

Stage 2:

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. Calculation approach is quite similar with approach mentioned above, but probability of default and loss amount in default ratios estimated for the lifetime of instruments.

Stage 3:

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

- Delay of over 90 days;
- Impairment of credit worthiness;
- Collateral and / or equity of debtor is inadequate cover the payment of receivables on the maturity; and
- If it is convinced that will be delayed by more than 90 days for recovery of receivables due to macroeconomic, sector-specific or customer-specific reasons.

Calculation of expected credit losses

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

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

In addition, a certain portion of commercial and corporate loans is assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. Such calculations are made by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate. When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

Probability of Default ("PD")

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

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

Loss Given Default ("LGD")

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

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

Exposure at Default ("EAD")

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

Consideration of the Macroeconomic Factors

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

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

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

Calculating the Expected Loss Period

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

Significant increase in credit risk

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

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

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

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

IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of financial instruments

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

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

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

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

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

c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

Based on TFRS 9, it shall be reclassified all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it is changed the business model for managing financial assets.

e) Restructuring and refinancing of financial instruments

The parent bank may be changed the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan can not be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future.

Changes in the original terms of a credit risk can be made in the current contract or through a new contract.

Corporate and commercial companies which have been restructured and refinanced can be removed from the watchlist when the following conditions are met:

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time); and

- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring /refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing.

In order for the restructured non-performing corporate and commercial loans to be classified to the watchlist category, the following conditions must be met:

- Recovery in debt service;
- At least 1 year should pass over the date of restructuring;
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring / refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing; and
- Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification.

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

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

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

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

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

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

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 6.488.226 (December 31, 2017– TL 7.631.184).

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

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

XII. Explanations on Assets Held for Sale and Discontinued Operations

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

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

XIII. Explanations on Goodwill and Other Intangible Assets

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

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard on Impairment of Assets (TAS 36) and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

XIV. 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.

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 are no purchase commitments related to the fixed assets.

XV. Explanations on Leasing Transactions

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

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

The gross lease receivables including interest and principal amounts regarding the Group's 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.

XVI. Explanations on Factoring Receivables

Factoring receivables are measured at amortized cost using the effective interest rate method after deducting unearned interest income and when specific provisions for impairment are recognized.

XVII. 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 Group. 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.

XVIII. 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.

XIX. 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% 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 gains from the sale of real estate which are held more than two years in the assets of the Parent Bank and 75% of gains on disposal of subsidiary shares which are held for more than two years in the assets of the Parent 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 Parent Bank's liabilities for five years.

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

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

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

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

2. Deferred Taxes

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

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

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

Deferred tax effect in regards to transactions accounted for profit/loss effect in equity, is also reflected to equity.

According to TAS 12, deferred taxes and liabilities resulting from different subsidiaries subject to consolidation are not presented as net; rather they are presented separately as assets and liabilities in the financial statements.

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

XX. 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.

XXI. Explanations on Share Issues

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

XXII. 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.

XXIII. Explanations on Government Incentives

As of December 31, 2018, the Group does not have any governmental incentives or support (As of December 31, 2017 – None).

XXIV. 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 - TL 300.000 are considered as "Commercial Enterprise". The Parent Bank gives importance to the commercial segmentation in order to hedge risk and decrease the concentration of income. Moreover; the Parent Bank also offers sectoral solution packages to these small and medium-size firms.

The Consumer Banking meets the needs and expectations of the retail banking customers. The Private Banking Unit has formed and started to operate to serve customers with high level income, in a more effective way. The installments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line. The main function of Treasury Segment is managing the liquidity of the 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.

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

Current Period (January 1 – December 31, 2018)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	2.078.539	2.901.813	2.897.429	7.877.781
Net Fees and Commissions Income	1.570.507	647.526	34.104	2.252.137
Other Operating Income and Net Trading Income	46.021	176.264	(1.369.445)	(1.147.160)
Personnel Expense (-)	325.944	501.701	693.581	1.521.226
Dividend Income	-	-	5.716	5.716
Operating Income	**3.369.123**	**3.223.902**	**874.223**	**7.467.248**
Other Operating Expenses (-)	1.497.974	870.800	(358.974)	2.009.800
Expected Loss Provisions (-)	574.009	1.496.184	161.103	2.231.296
Gain / Loss on joint venture accounted for at equity method	-	-	44.789	44.789
Profit Before Taxes	**1.297.140**	**856.918**	**1.116.883**	**3.270.941**
Tax Provison (-)				**697.736**
Net Profit/Loss				**2.573.205**
Total Assets	**33.583.981**	**66.792.610**	**52.306.155**	**163.500.234**
Segment Assets	33.583.981	66.792.610	52.306.155	152.682.746
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	186.645
Undistributed Assets	-	-	-	10.630.843
Total Liabilities	**56.362.699**	**26.784.970**	**46.230.627**	**163.500.234**
Segment Liabilities	56.362.699	26.784.970	46.230.627	129.378.296
Undistributed Liabilities	-	-	-	19.518.495
Equity	-	-	-	14.603.443
Other Segment Accounts	**422.355**	**230.107**	**(87.680)**	**564.782**
Capital Expenditures	230.912	125.805	(49.869)	306.848
Depreciation and Amortization	191.443	104.302	(37.811)	257.934

Prior 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
Profit Before Taxes	**883.342**	**814.457**	**543.578**	**2.241.377**
Tax Provision (-)				**469.026**
Net Profit/Loss				**1.772.351**

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

Prior Period (December 31, 2017)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
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 Section Item	**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
Change	-	-	-	-

XXV. Profit Reserves and profit distribution

The Ordinary General Assembly Meeting of the Parent Bank was held on March 29, 2018. It was decided net income from 2017 operations to be distributed as follows:

2017 Profit Distribution Table

Current Year Profit	**1.603.441**
A – First Legal Reserves (Turkish Commercial Code 519/A) 5%	(80.172)
B – First Profit share to be distributed(*)	(100.000)
C – Extraordinary Reserves	(1.423.269)

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

XXVI. 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	2.572.708	1.771.786
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
Earnings per Share (TL)	**0,07680**	**0,05289**

In Turkey, companies can increase capital through “bonus share” distributed from previous year earnings to current shareholders. Such “bonus share” distributions are accounted as issued shares while calculating earnings per share. Accordingly, weighted average amount of shares issued used in these calculations is found through taking into consideration retroactive effects of subject share distributions. In case, amount of shares issued increases after the balance sheet date but before the date of financial statement preparation due to distribution of “bonus share”, earnings per share is calculated taking into consideration the new amount of shares.

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

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

XXVII. Explanations on Other Matters

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

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

Financial Assets	Book Value Before TFRS 9 December 31, 2017	Reclassifications	Re-measures	TFRS 9 book value January 1, 2018	Tax Effect	Equity Effect
Measured at amortized cost						
Pre-classification balance (Held to Maturity)	7.168.664	-	-	-	-	-
Classified from Measured at Fair Value through Other Comprehensive Income	-	1.720.595	99.484	-	(21.888)	77.596
Classified as Measured at Fair Value through Other Comprehensive Income	-	(42.573)	-	-	-	-
Post-classification book value	-	-	-	8.946.170	-	-
Measured at Fair Value through Other Comprehensive Income						
Pre-classification balance (Available to Sale)	8.349.875	-	-	-	-	-
Classified as Held-to-Maturity	-	42.573	2.872	-	(632)	2.240
Classified to Held-to-Maturity	-	(1.720.595)	-	-	-	-
Post-classification book value	-	-	-	6.674.725	-	-
Expected loss provision	-	-	11.124	-	(2.447)	8.677
Loans and Other Receivables Measured at Amortized Cost (Gross)						
Pre-classification value measured at Amortized Cost (**)	85.969.070	-	-	-	-	-
Financial Assets Measured at Fair Value through Profit/Loss	10.579	-	-	-	-	-
Classified to Measured at Amortized Cost	-	10.579	-	-	-	-
Classified from Measured at Fair Value through Profit/Loss	-	(10.579)	-	-	-	-
Post-classification value measured at Amortized cost	-	-	-	85.979.649	-	-
Post-classification value Measured at Fair Value through Profit/Loss	-	-	-	-	-	-
Expected loss provision(*)	(5.113.639)	-	(653.351)	(5.766.990)	442.241	(211.110)
Faktoring Receivables						
Expected loss provision	(41.988)	-	(9.133)	(51.121)	2.009	(7.124)
Lease Receivables						
Expected loss provision	(82.091)	-	(48.805)	(130.896)	10.736	(38.069)

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

(**) Receivables from financial leasing and factoring does not included.

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

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

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

	Book Value Before TFRS 9 December 31, 2017	Remeasurements	Book Value After TFRS 9 January 1, 2018
Loans	**5.019.890**	**665.385**	**5.685.275**
Stage 1	1.125.990	(100.233)	1.025.757
Stage 2	228.613	898.122	1.126.735
Stage 3	3.665.287	(132.504)	3.532.783
Financial Assets(*)	**59.270**	**(18.424)**	**40.846**
Non-Cash Loans (**)	**158.558**	**64.328**	**222.886**
Stage 1 and 2	91.845	120.072	211.917
Stage 3	66.713	(55.744)	10.969
Total	**5.237.718**	**711.289**	**5.949.007**

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

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

3. Effects on equity with TFRS 9 transition

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

The amounting to TL 711.289 difference which is an expense between the provision for impairment of the previous period of the Group and the provision for loss that is measured in accordance with TFRS 9 impairment model as of January 1, 2018 is classified as "Extraordinary Reserves" in shareholders' equity.

Deferred tax assets amounting to TL 487.589 and corporate tax loss amounting to TL 46.444 which have been cancelled due to TFRS 9 transition, have been reflected to the opening financials of January 1, 2018 and the related amount has been classified under "Extraordinary Reserves" in shareholders' equity.

Before January 1, 2018 securities which was classified as fair value through OCI is now classified as amortized cost with the adoption of TFRS 9 is TL 1.720.595 and securities which was classified as amortized cost is now classified as fair value through OCI with the adoption of TFRS 9 is TL 45.445. Net After tax re-measurement differences of these securities TL 79.836 are classified in Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI. At the same time as of January 1, 2018, the expected loss reserve amounting to TL 8.677 for the securities classified as fair value through other comprehensive income is classified under "Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at Fair Value Other Comprehensive Income".

XXVIII. Explanations on prior period accounting policies not valid for the current period

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

1. Explanations and Disclosures on Financial Assets

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

a) Financial assets at fair value through profit or loss

a.1. Financial assets held for trading

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

a.2. Financial assets at fair value through profit or loss

The 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).

b. Investment securities available for sale

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

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

When investment securities available for sale are sold, collected or otherwise disposed of, the cumulative fair value adjustments under equity are transferred to the income statement. The 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 bonds are designated as fair value hedged items, hedged against interest rate fluctuations, starting from July 2011. Those securities are disclosed under Investment Securities Available for Sale in order to be in line with balance sheet presentation. The fair value differences of Eurobond and TL government bond hedged items are accounted for under "Securities Trading Gains/ Losses" in the income statement.

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

c. Investment securities held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from held-to-maturity financial assets is accounted in income statement.

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

d. Loans and specific provisions

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

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

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

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

In the case where there is an evidence for the possibility of uncollectibility of loans, the 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 “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables”. The Parent 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 “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” and accounts such provision at the liability side of the balance sheet under general loan loss provision.

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

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

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

e. Derivative instruments

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

In accordance with TAS 39 “Financial Instruments: Recognition and Measurement”, derivative instruments are categorized as “hedging purpose” or “trading purpose” transactions. Derivatives are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the “Assets on Trading Derivatives” ,“Liabilities on Trading Derivatives” or “Assets on Hedging Purpose Derivatives” and “Liabilities on Hedging Purpose Derivatives” items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts of derivative transactions presented on the balance sheet, represent the fair value differences based on the valuation.

2. Explanations on Fees and Commission Income and Expenses

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

3. Explanations on Tax Implementation

Deferred tax asset is not provided over general reserve for possible risk and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated December 8, 2004.

4. Explanations on Fees and Commission Income and Expenses

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

5. Explanations on Leasing Transactions

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

6. Explanations on factoring receivables

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

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

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, 2018 Group's total capital has been calculated as TL 18.994.391 (December 31, 2017: TL 14.465.489), capital adequacy ratio is 14,84% (December 31, 2017: 14,49%) 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, 2018	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	8.781.070	
Gains recognized in equity as per TAS	111.059	
Profit	2.572.708	
Current Period Profit	2.572.708	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Minorities' Share	6.791	
Common Equity Tier 1 Capital Before Deductions	**14.822.342**	
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	617.345	
Improvement costs for operating leasing	68.048	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	384.986	384.986
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	**1.070.379**	
Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption	569.032	
Total Common Equity Tier 1 Capital	**14.320.995**	

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

	Current Period December 31, 2018	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 (-)	-	
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)	**14.320.995**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	3.308.715	
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)	1.448.219	
Tier II Capital Before Deductions	**4.756.934**	
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	**4.756.934**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**19.077.929**	
Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.890	
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 (-)	70.648	
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	-	

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

	Current Period December 31, 2018	Amounts subject to treatment before 1/1/2014(*)
TOTAL CAPITAL		
Total Capital	18.994.391	
Total risk weighted amounts	127.985.545	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	11,19%	
Tier 1 Capital Adequacy Ratio	11,19%	
Capital Adequacy Ratio	14,84%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	1,88%	
a) Capital conservation buffer requirement	0,01%	
b) Bank specific counter-cyclical buffer requirement	-	
c) Systemic significant bank buffer ratio	5,19%	
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	-	
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	142.609	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	2.938.181	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.448.219	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	3.308.715	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.478.704	

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

Components of consolidated shareholders' equity items:

	Prior Period December 31, 2017	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	3.350.000	
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 recognized within profit for the period	-	
Minority shares	6.294	
Common Equity Before Deductions	**12.515.932**	
Common Equity Tier 1 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	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**	

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

	Prior Period December 31, 2017	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 (-)	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 (-)	-	

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

	Prior 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%	
Capital conservation buffer requirement	1,25%	
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	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		
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.

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

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 (e.g. 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
Since 1/1/2015 10% reduction by being subject to the application	No	Yes	Yes	No
Eligible at stand-alone / consolidated	Standalone - Consolidated	Standalone - Consolidated	Standalone - Consolidated	Standalone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	1.710	142	89	1.368
Par value of instrument (Currency in million)	1.710	1.052	658	1.368
Accounting classification	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost
Original date of issuance	June 29, 2018	October 6, 2009	December 28, 2009	May 22, 2017
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	12 years	12 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends	6 months	6 months	6 months	6 months
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
Coupon rate and any related index	LIBOR + 5,30%	LIBOR + 4,34%	LIBOR + 4,34%	LIBOR + 3,87%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-

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

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

Informations on Article 5 of the Regulation on Equities of Banks:

EQUITY ITEMS	T	T-1	T-2	T-3	T-4
Common Equity	14.320.995	14.087.075	13.975.371	13.863.667	13.751.963
Transition process not implemented Common Equity	13.751.963	13.751.963	13.751.963	13.751.963	13.751.963
Tier 1 Capital	14.320.995	14.087.075	13.975.371	13.863.667	13.751.963
Transition process not implemented Tier 1 Capital	13.751.963	13.751.963	13.751.963	13.751.963	13.751.963
Total Capital	18.994.391	18.760.471	18.648.767	18.537.063	18.425.359
Transition process not implemented Equity	18.425.359	18.425.359	18.425.359	18.425.359	18.425.359
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	127.985.545	127.985.545	127.985.545	127.985.545	127.985.545
Capital Adequacy Ratio					
Common Equity Adequacy Ratio (%)	11,19%	11,00%	10,92%	10,83%	10,74%
Transition process not implemented Common Equity Ratio (%)	10,74%	10,74%	10,74%	10,74%	10,74%
Tier 1 Capital Adequacy Ratio (%)	11,19%	11,00%	10,92%	10,83%	10,74%
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	10,74%	10,74%	10,74%	10,74%	10,74%
Capital Adequacy Ratio (%)	14,84%	14,66%	14,57%	14,48%	14,40%
Transition process not implemented Capital Adequacy Ratio (%)	14,40%	14,40%	14,40%	14,40%	14,40%
LEVERAGE					
Leverage Ratio Total Risk Amount	232.458.627	232.458.627	232.458.627	232.458.627	232.458.627
Leverage(%)	6,21%	6,21%	6,21%	6,21%	6,21%
Transition process not implemented Leverage Ratio (%)	5,92%	5,92%	5,92%	5,92%	5,92%

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

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context; up to 1.25% of the amount of the first and second part of the expected loss provisions is taken into account as contribution capital, loses 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 Risk Management

1. 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.

The policies implemented by the bank regarding the calculation of expected loss provisions are explained in note VIII of the third part. The bank has taken into consideration the general provision for overdue loans and special provision for impaired loans under the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation)

The receivables of the Group from its top 100 cash loan customers are 24% in the total cash loans (December 31, 2017- 21%).

The receivables of the Group from its top 200 cash loan customers are 28% in the total cash loans (December 31, 2017-24%).

The receivables of the Group from its top 100 non-cash loan customers are 52% in the total non-cash loans (December 31, 2017- 47%).

The receivables of the Group from its top 200 non-cash loan customers are 62% in the total non-cash loans (December 31, 2017- 56%).

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 24% (December 31, 2017 26%).

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 29% (December 31, 2017 30%).

The Group general total provision amounted to TL 2.938.181 (December 31, 2017- TL 1.397.267).

As of December 31, 2018 Provision for probable risks in the Group's loan portfolio amount is not included.(December 31, 2017- TL 108.450).

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

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	38.078.040	35.713.564	31.074.212	27.533.656
Conditional and unconditional receivables from regional or local governments	83.606	55.545	5.346	8.990
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	224.571	148.364	73.564	57.062
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	20.686.929	20.864.541	14.663.737	13.722.546
Conditional and unconditional receivables from corporates	59.003.093	52.280.489	43.504.129	36.265.014
Conditional and unconditional receivables from retail portfolios	54.312.923	52.577.361	47.682.667	43.630.232
Conditional and unconditional receivables secured by mortgages	6.125.552	7.761.372	8.967.021	9.031.148
Past due receivables	1.434.475	1.057.568	857.390	667.622
Receivables defined in high risk category by BRSA	262.403	101.825	33.615	83.988
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-
Investment in equities	1.453.592	999.181	977.304	141.307
Other receivables	6.157.044	5.736.482	3.714.448	4.492.888

(*) 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").

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

Profile of significant exposures in major regions

	Exposure Categories[*]																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
1. Domestic	38.078.040	83.606	224.571	-	-	1.954.223	58.326.878	54.291.804	6.120.065	1.433.459	229.311	-	-	-	-	1.453.592	6.157.044	168.352.593
2. European Union Countries	-	-	-	-	-	15.469.632	419.032	138	201	11	19.793	-	-	-	-	-	-	15.908.807
3. OECD Countries [**]	-	-	-	-	-	195.934	5.844	6	4.772	-	13.299	-	-	-	-	-	-	219.855
4. Offshore Banking Areas	-	-	-	-	-	366.208	70.123	8	60	-	-	-	-	-	-	-	-	436.399
5. USA, Canada	-	-	-	-	-	920.245	23.312	164	83	-	-	-	-	-	-	-	-	943.804
6. Other Countries	-	-	-	-	-	1.780.687	157.904	20.803	371	1.005	-	-	-	-	-	-	-	1.960.770
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities [***]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**38.078.040**	**83.606**	**224.571**	**-**	**-**	**20.686.929**	**59.003.093**	**54.312.923**	**6.125.552**	**1.434.475**	**262.403**	**-**	**-**	**-**	**-**	**1.453.592**	**6.157.044**	**187.822.228**

	Exposure Categories[*]																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior 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 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
12- Securities collateralized by mortgages
13- Securitization positions
14- Short-term receivables from banks, brokerage houses and corporates
15- Investments similar to collective investment Funds
16-Investment in equities
17- Other receivables

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

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	TL	FC	Total
Agriculture	-	-	61.801	-	-	-	460.565	2.127.318	15.333	97.647	12.736	-	-	-	-	-	-	2.521.537	253.863	2.775.400
Farming and Raising Livestock	-	-	61.801	-	-	-	278.891	2.090.922	13.518	96.831	12.736	-	-	-	-	-	-	2.489.393	65.306	2.554.699
Forestry	-	-	-	-	-	-	773	5.772	203	247	-	-	-	-	-	-	-	6.995	0	6.995
Fishing	-	-	-	-	-	-	180.901	30.624	1.612	569	-	-	-	-	-	-	-	25.149	188.557	213.706
Industrial	-	31.103	-	-	-	-	21.022.167	4.960.422	513.072	270.651	68.496	-	-	-	-	-	-	9.504.691	17.361.220	26.865.911
Mining and Quarrying	-	-	-	-	-	-	284.009	125.528	2.016	2.868	208	-	-	-	-	-	-	246.180	168.449	414.629
Production	-	-	-	-	-	-	16.206.277	4.737.728	508.488	267.558	68.288	-	-	-	-	-	-	8.761.539	13.026.800	21.788.339
Electricity, Gas, Water	-	31.103	-	-	-	-	4.531.881	97.166	2.568	225	-	-	-	-	-	-	-	496.972	4.165.971	4.662.943
Construction	-	-	-	-	-	-	4.709.265	3.197.566	579.307	202.045	51.739	-	-	-	-	-	-	6.365.552	2.374.370	8.739.922
Services	16.812.956	33	25.671	-	-	18.993.678	29.213.841	11.678.458	1.729.974	555.857	98.275	-	-	-	-	-	-	28.201.910	50.906.833	79.108.743
Wholesale and Retail Trade	-	-	7.882	-	-	-	6.834.589	9.249.831	486.481	425.492	44.178	-	-	-	-	-	-	13.597.705	3.450.748	17.048.453
Hotel, Food and Beverage	-	-	-	-	-	-	2.623.888	269.690	89.174	33.326	1.074	-	-	-	-	-	-	530.414	2.486.738	3.017.152
Transportation and Communication	-	-	-	-	-	-	9.903.503	788.568	27.397	43.253	4.703	-	-	-	-	-	-	1.208.112	9.559.312	10.767.424
Financial Institutions	16.812.956	33	-	-	-	18.993.678	492.925	76.049	235	782	257	-	-	-	-	-	-	10.429.241	25.947.674	36.376.915
Real Estate and Rent Services	-	-	-	-	-	-	5.354.281	246.984	1.000.699	8.511	2.608	-	-	-	-	-	-	402.308	6.210.775	6.613.083
Self-Employment Services	-	-	17.630	-	-	-	1.100.170	517.229	20.410	27.456	1.075	-	-	-	-	-	-	934.188	749.782	1.683.970
Educational Services	-	-	114	-	-	-	172.008	199.132	18.386	6.797	1	-	-	-	-	-	-	359.552	36.886	396.438
Health and Social Services	-	-	45	-	-	-	2.732.477	330.975	87.192	10.240	44.379	-	-	-	-	-	-	740.390	2.464.918	3.205.308
Other	21.265.084	52.470	137.099	-	-	1.693.251	3.597.255	32.349.159	3.287.866	308.275	31.157	-	-	-	-	1.453.592	6.157.044	58.913.933	11.418.319	70.332.252
Total	**38.078.040**	**83.606**	**224.571**	**-**	**-**	**20.686.929**	**59.003.093**	**54.312.923**	**6.125.552**	**1.434.475**	**262.403**	**-**	**-**	**-**	**-**	**1.453.592**	**6.157.044**	**105.507.623**	**82.314.605**	**187.822.228**

(*) 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
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
12- Securities collateralized by mortgages
13- Securitization positions
14- Short-term receivables from banks, brokerage houses and corporates
15- Investments similar to collective investment Funds
16- Investment in equities
17- Other receivables

QNB FİNANSBANK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S AUDIT REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2018

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

Prior Period	Exposure Categories(*)																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	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
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
12- Securities collateralized by mortgages
13- Securitization positions
14- Short-term receivables from banks, brokerage houses and corporates
15- Investments similar to collective investment Funds
16- Investment in equities
17- Other receivables

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

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	6.925	327.787	85.667	550.871	19.233.346
Conditional and unconditional receivables from regional or local governments	351	-	-	-	83.223
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	4.151	12.078	17.451	65.711	117.529
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	3.403.568	1.964.541	1.075.538	160.053	2.881.595
Conditional and unconditional receivables from corporates	5.998.435	3.316.346	5.091.850	5.749.882	34.261.138
Conditional and unconditional receivables from retail portfolios	2.467.171	3.649.464	4.426.461	5.945.606	24.421.809
Conditional and unconditional receivables secured by mortgages	35.456	136.032	216.477	474.653	5.194.971
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	75	182	263	0	631
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-	-
Investment in equities	153.171	-	-	-	-
Other receivables	-	-	-	-	-
General Total	**12.069.303**	**9.406.430**	**10.913.707**	**12.946.776**	**86.194.242**

(*) 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	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.

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

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	32.048.718		4.584.430	-	15.797.520	58.485.267	76.643.890	262.403	-	-	536.572
2. Exposures After Credit Risk Mitigation	39.069.379		2.233.052	3.540.454	10.376.464	47.969.147	71.796.329	262.300	-	-	536.572

Prior 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

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	Loans(*)			Provisions	
	Impaired Loans (TFRS 9)				
Major Sectors / Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Default (Stage 3) Non-Performing (Regulation of Provision)	Non-Performing (Regulation of Provision)	(Regulation of Provision)
1. Agriculture	**466.738**	**244.601**	-	**186.634**	-
1.1. Farming and Livestock	460.859	226.016	-	173.435	-
1.2. Forestation	146	15.863	-	10.547	-
1.3. Fishing	5.733	2.722	-	2.652	-
2. Industrial	**1.366.804**	**1.021.925**	-	**1.241.285**	-
2.1. Mining and Quarrying	41.140	33.647	-	19.692	-
2.2. Manufacturing Industry	1.025.218	986.729	-	918.807	-
2.3. Electricity, Gas, Water	300.446	1.549	-	302.786	-
3. Construction	**1.191.113**	**600.556**	-	**534.792**	-
4. Services	**3.729.743**	**2.094.249**	-	**2.182.025**	-
4.1. Wholesale and Retail Commerce	1.427.349	1.522.146	-	1.320.919	-
4.2. Hotel and Restaurant Services	537.407	189.754	-	237.455	-
4.3. Transportation and Communication	306.748	128.684	-	132.138	-
4.4. Financial Corporations	754.402	23.431	-	211.795	-
4.5. Real Estate and Loan Services	69.278	25.613	-	30.993	-
4.6. Independent Business Services	463.981	75.901	-	144.965	-
4.7. Education Services	88.722	35.161	-	43.381	-
4.8. Health and Social Services	81.856	93.559	-	60.379	-
5. Other	**3.176.208**	**2.652.932**	-	**2.484.568**	-
6. Total	**9.930.606**	**6.614.263**	-	**6.629.304**	-

(*) Represents the distribution of cash loans.

Prior Period	Loans(*)			
Major Sectors / Counterparties	Impaired Loans	Past Due Loans	Value Adjustments	Provisions
1. Agriculture	**127.878**	**155.252**	**3.505**	**78.826**
1.1. Farming and Livestock	121.501	151.236	3.352	77.308
1.2. Forestation	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. Manufacturing Industry	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 Commerce	1.044.379	557.942	27.219	790.129
4.2. Hotel and Restaurant 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 Corporations	18.755	10.253	246	14.944
4.5. Real Estate and Loan Services	14.790	3.587	88	7.395
4.6. Independent Business Services	40.231	61.570	1.494	31.520
4.7. Education 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.

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

Movements in value adjustments and provisions

Current Period	Opening Balance	TFRS 9 Transation Effect	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Special Provisions	3.540.714	(132.504)	2.031.749	(354.211)	(148.576)	4.937.172
2. General Provisions	1.397.267	899.537	641.377	-	-	2.938.181

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

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Special Provisions	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.

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 November 5, 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	103.785.665	-	103.785.665
Malta	405.321	-	405.321
Other	48.649	-	48.649
Total	**104.239.635**	**-**	**104.239.635**

Prior 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**

2. Risk Management and General Disclosures regarding Risk Weighted Amounts

2.1. 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.

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.

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:

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; and
- 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; and
- 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; and
- Subsidiary VaR calculation.

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

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; and
- 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; and
- To perform tests to the existing portfolio based on past extreme situations.

Trading book consists of Financial Assets at Fair Value Through Profit or Loss securities, Financial Assets at Fair Value Through Profit or Loss 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.

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

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.

2.2. Overview of RWA

		Risk Weighted Assets		Minimum Capital Requirements	
		31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
1	Credit risk (excluding counterparty credit risk)	112.159.311	86.699.271	8.972.745	6.935.942
2	Standardised approach	112.159.311	86.699.271	8.972.745	6.935.942
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	3.698.238	1.903.324	295.859	152.266
5	Standardised approach for counterparty credit risk	3.698.238	1.903.324	295.859	152.266
6	Internal model method	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-	-
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitisation exposures in banking accounts	-	-	-	-
13	IRB ratings-based approach	-	-	-	-
14	IRB Supervisory Formula Approach	-	-	-	-
15	SA/simplified supervisory formula approach	-	-	-	-
16	Market risk	1.654.488	2.016.388	132.359	161.311
17	Standardised approach	1.654.488	2.016.388	132.359	161.311
18	Internal model approaches	-	-	-	-
19	Operational risk	10.473.508	9.225.591	837.881	738.047
20	Basic Indicator Approach	10.473.508	9.225.591	837.881	738.047
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)**	**127.985.545**	**99.844.574**	**10.238.844**	**7.987.566**

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

3. Linkages between financial statements and risk amounts

3.1. Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

Current period			Carrying values of items in accodance with TAS			
Assets	Carrying values in financial statements prepared as per 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
Cash and balances with the Central Bank	18.511.052	18.474.302	18.511.442	-	-	-
Trading Financial Assets	5.555.057	5.509.319	-	5.429.815	5.143.778	-
Financial Assets at Fair Value Through Profit or Loss	45.739	45.739	-	-	45.739	-
Banks	3.371.612	1.241.611	1.242.052	-	-	-
Money Market Placements	509.711	509.706	409.641	100.070	-	-
Financial Assets Available-for-Sale (Net)	8.451.754	8.445.773	8.445.773	2.814.590	-	-
Loans and Receivables	93.421.786	94.315.488	97.002.606	-	-	83.538
Factoring Receivables	1.208.884	973.004	973.004	-	-	-
Held-to-maturity investments (Net)	12.932.193	12.895.116	12.932.193	3.673.636	-	-
Investment in Associates (Net)	-	5.982	5.982	-	-	-
Investment in Subsidiaries (Net)	-	38.054	38.054	-	-	-
Investment in Joint ventures (Net)	158.380	142.609	142.609	-	-	-
Lease Receivables	5.521.076	5.088.099	5.088.099	-	-	-
Derivative Financial Assets Held For Hedging	6.892.010	6.892.010	-	6.892.010	-	-
Property And Equipment (Net)	2.893.451	2.869.000	2.800.904	-	-	68.048
Intangible Assets (Net)	433.889	411.200	26.215	-	-	384.986
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	613.768	695.082	695.082	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	2.626.163	4.948.140	4.950.148	-	-	-
TOTAL ASSETS	**163.146.525**	**163.500.234**	**153.263.804**	**18.910.121**	**5.189.517**	**536.572**
Liabilities						
Deposits	86.830.777	86.826.216	-	-	-	86.830.777
Derivative Financial Liabilities Held for Trading	5.733.001	5.733.001	-	-	4.914.056	5.733.001
Funds Borrowed	20.556.269	20.552.233	-	-	-	20.556.269
Money Markets	11.454.733	5.333.672	-	4.714.819	-	11.454.733
Marketable Securities Issued	11.791.532	11.850.077	-	-	-	11.791.532
Funds	-	-	-	-	-	-
Miscellaneous Payables	3.220.042	9.350.487	-	-	-	3.220.042
Other Liabilities	2.730.881	2.731.892	-	-	-	2.730.881
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	717.188	717.188	-	-	-	717.188
Provisions	513.631	826.061	-	-	-	513.631
Tax Liability	152.990	159.866	-	-	-	152.990
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Loans	4.816.098	4.816.098	-	-	-	4.816.098
Shareholder's Equity	14.629.383	14.603.443	-	-	-	14.629.383
TOTAL LIABILITIES	**163.146.525**	**163.500.234**	**-**	**4.714.819**	**4.914.056**	**163.146.525**

(*) Derivative financial assets for trading purposes and derivative financial assets for hedging purposes are included in the derivative financial assets item in the financial statements.
(**) Derivative financial liabilities for trading and derivative financial instruments for hedging purposes are presented in the derivative financial liabilities item in the financial statements.
(***) Miscellaneous payables and other liabilities are presented under other liabilities in the financial statements.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Perior period			Carrying values of items in accordance of with TAS			
Assets	**Carrying values in financial statements prepared as per TAS**	**Carrying values of items in accordance with TAS**	**Subject to credit risk**	**Subject to coun-terparty credit risk**	**Subject to the Securitization framework**	**Subject to market risk**
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**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Current Period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	177.363.442	153.263.804	-	18.910.121	5.189.517
2	Liabilities carrying value amount under regulatory scope of consolidation	9.628.875	-	-	4.714.819	4.914.056
3	Total net amount under regulatory scope of consolidation	167.734.567	153.263.804	-	14.195.302	275.461
4	Off-Balance Sheet Amounts	91.329.278	18.485.121	-	-	-
5	Differences due to different netting rules (except 2)	1.379.027	-	-	-	1.379.027
6	Repo transactions	69.905	-	-	69.905	-
7	Decrease in counterparty credit risk as a result of netting	-	-	-	-	-
8	Potential credit risk amount calculated for the counterparty	1.506.135	-	-	1.506.135	-
9	Differences due to credit risk reduction	(12.273.141)	(2.191.669)	-	(10.081.472)	-
	Risk Amounts	**-**	**169.557.256**	**-**	**5.689.870**	**1.654.488**

	Prior Period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
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**

3.3. 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 “Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)”. 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; and

• Reverse repo transactions.

Classification of Trading Accounts are made in accordance with Appedix-3 of Regulation on Measurement and Evaluation of Bank’s Capital Adequacy.

QNB Finansbank calculates its value at market risk with standard method in the framework of “Regulation on Measurement and Evaluation of Bank’s Capital Adequacy”. Accordingly, capital requirement is reached through multiplying of total of general market risk, commodity risk, settlement risk, 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 II 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); and
- 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 Financial Assets at Fair Value through Profit/Loss portfolio cannot be treated as of reporting date, it is evaluated over the price determined in scope of precautionary principles.

Market value of products, which are traded at over the counter markets such as forward foreign exchange, foreign exchange swaps and interest swaps, are calculated in line with discounting of cash flows over market interest rates. Market value of option transactions is performed based on softwares which are internationally accepted valuation methodologies.

Definition of independent price approval processes:

There are four main price parameters which shall have an impact on current market value of financial assets and positions held by the Banks:

- Market interest rates (bond, bill and derivative prices);
- Share prices;
- Exchange rates; and
- Gold, other precious metals and commodity prices.

Total risk of loss sourcing from price movements (interest, equity share, exchange and commodity risk) related to financial assets and positions are called as “general market risk”.

Independency of price process in ensured through the recording and management of prices to Bank systems by back office. In addition, the pricing and valuation systems in question are also reviewed and validated by Validation Unit. Details belonging to aforementioned valuation and accounting are strictly documented and monitored by Treasury Control Unit.

Processes for valuation adjustments or differences (It includes definition of process and methodology definition for the valuation of trading positions according to type of financial instrument)

TL borrowing instruments included in securities portfolio of Financial Assets at Fair Value through Profit/Loss 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.

4. Credit Risk Disclosures

4.1. General Information on Credit Risk

4.1.1. CRD – General Qualitative Information on Credit Risk

a) Conversion of The Parent Bank’s business model to components of credit risk profile

The Parent Bank 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; and
- 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;
- 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;
- To develop of forecasting models/approaches and the measurement monitoring of portfolio credit risk through Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD); and
- Implementation of risk based Credit Classification and Expected Credit Loss calculations under TFRS 9, determination of credit risk measurement framework, development and implementation of relevant models / approaches.

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; and
- 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.

The 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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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 Operational 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, Stage 3 and Stage 2 rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings.

In addition to these monthly reports, a comparative analysis with banks, which is based on quarterly capital adequacy and credit risk metrics, is also reported to senior management and the board of directors.

4.2. CR1 Credit quality of assets

		Gross carrying values of as per TAS			
	Current Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net value**
1	Loans	6.614.263	95.409.053	4.937.172	**97.086.144**
2	Debt Securities	-	21.259.795	-	**21.259.795**
3	Off-balance sheet exposures	-	60.332.135	50.116	**60.282.019**
4	**Total**	**6.614.263**	**177.000.983**	**4.987.288**	**178.627.958**

		Gross carrying values of as per TAS			
	Prior Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net value**
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**

4.3. 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	4.344.169	3.874.148
2	Loans and debt securities that have defaulted since the last reporting period	3.691.472	2.162.047
3	Returned to non-defaulted status	-	-
4	Amounts written off(*)	148.576	752.070(*)
5	Other changes(**)	1.272.802	939.956
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**6.614.263**	**4.344.169**

(*) The sale of legal follow up loans receivable amount is not included in current period (December 31, 2017 - 745.739 TL).

(**) Includes collections from credits in default.

4.4. CRD – Additional disclosures related to credit quality of assets:

(a) The criteria taken into consideration by the Parent Bank in determining the impairment are explained in footnote VIII of the third section. 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) The Bank’s specific provision calculation is explained in footnote VIII of the third section. 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 then receivables in aforementioned scope are identified as “restructured receivables”.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

(e) Exposures provisioned against by major regions, major sectors and remaining maturity

Exposures provisioned against by major regions:

Country	Current Period	Prior Period
Domestic	94.878.795	81.194.085
European Union (EU) Countries	426.822	288.469
USA, Canada	22.376	9.352
OECD Countries	3	42
Off-Shore Banking	19.973	30.608
Other Countries	61.084	112.924
Total	**95.409.053**	**81.635.480**

Exposures provisioned against by major sectors:

	Current Period	Prior Period
1. Agricultural	**2.538.528**	**2.556.845**
1.1. Farming and raising livestock	2.337.407	2.413.925
1.2. Forestry	5.629	6.145
1.3. Fishing	195.492	136.775
2. Manufacturing	**16.371.069**	**13.655.657**
2.1. Mining and Quarrying	283.274	274.415
2.2. Production	12.360.435	10.584.536
2.3. Electricity, Gas, Water	3.727.360	2.796.706
3. Construction	**5.853.595**	**7.484.389**
4. Services	**38.883.648**	**29.843.379**
4.1 Wholesale and retail trade	14.396.553	14.308.792
4.2 Hotel, food and beverage services	3.434.383	2.632.932
4.3 Transportation and telecommunication	9.215.542	5.162.942
4.4 Financial institutions	6.935.904	3.964.670
4.5 Real estate and leasing services	350.168	350.288
4.6 Self-employment services	1.535.335	1.285.693
4.7 Education services	375.746	358.867
4.8 Health and social services	2.640.017	1.779.195
4. Services	**31.762.213**	**28.095.210**
6. Total	**95.409.053**	**81.635.480**

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(*)	-	19.082.854	8.821.945	25.695.002	33.047.314	12.052.385	98.699.500

Prior 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

(*) The related provisions have been deducted from current period balances.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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 as uncollectible

Current Period	Loans subject to provision	Provision	Written-off from Assets
Turkey	6.583.887	4.920.107	148.576
EU Countries	16.192	2.882	-
USD, Canada	-	-	-
OECD Countries(*)	-	-	-
Off-shore Banking Regions	14.164	14.164	-
Other Countries	20	19	-
Total	**6.614.263**	**4.937.172**	**148.576**

(*) Includes OECD countries other than EU countries, USA and Canada.

Prior 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.

Exposures provisioned against by major sectors and loans written off during the period as uncollectible

	Current Period			Prior Period		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	**232.767**	**127.548**	**3.506**	**116.510**	**74.754**	**13.427**
1.1. Farming and Raising Livestock	226.015	124.980	942	114.832	73.471	12.924
1.2. Forestry	4.029	364	2.564	249	103	41
1.3. Fishing	2.723	2.204	-	1.429	1.180	462
2. Industrial	**1.020.225**	**731.227**	**9.336**	**590.448**	**483.006**	**114.994**
2.1. Mining and Quarrying	35.134	12.635	385	6.482	5.664	1852
2.2. Production	983.541	717.292	8.951	583.664	477.041	111.937
2.3. Electricity, Gas, Water	1.550	1.300	-	302	301	1205
3. Construction	**600.556**	**334.249**	**11.914**	**276.981**	**220.869**	**66.954**
4. Services	**2.097.159**	**1.494.099**	**110.947**	**1.340.142**	**1.011.352**	**198.291**
4.1. Wholesale and Retail Trade	1.522.146	1.118.022	4.066	1.024.853	775.398	183.318
4.2. Hotel, Food and Beverage Services	189.527	130.341	8	132.312	95.247	4.075
4.3. Transportation and Communication	129.021	88.299	106.320	65.326	47.973	6.106
4.4. Financial Institutions	23.431	18.199	-	18.750	14.939	503
4.5. Real Estate and Renting Services	25.614	15.532	8	14.732	7.348	100
4.6. Self-Employment Services	75.901	55.286	-	40.161	31.450	3.284
4.7. Educational Services	35.161	28.684	-	20.643	18.788	53
4.8. Health and Social Services	96.358	39.736	545	23.365	20.209	852
5. Other	**2.663.556**	**2.250.049**	**12.873**	**2.020.088**	**1.750.733**	**358.404**
6. Total	**6.614.263**	**4.937.172**	**148.576**	**4.344.169**	**3.540.714**	**752.070**

g) Aging Analysis

Overdue days	Current Period	Prior Period
0-30	92.826.649	79.862.234
31-60	1.642.321	1.011.133
61-90	940.083	762.113
90+	6.614.263	4.344.169
Total	**102.023.316**	**85.979.649**

h) Breakdown of restructured receivables based on whether or not provisions are allocated

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Current Period	Standard Loans	Loans Under Close Monitoring	Non- Performing Loan
Provisions	-	-	91.417
None Reserved(*)	1.127.050	4.297.570	-
Total	**1.127.050**	**4.297.570**	**91.417**

(*)The expected credit loss is reserved for the related loans.

Prior Period	Standard Loans	Loans Under Close Monitoring	Non- Performing Loan
Provisions	-	-	60.081
None Reserved(*)	1.919.035	1.727.638	-
Total	**1.919.035**	**1.727.638**	**60.081**

5. Credit Risk Mitigation

5.1. 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 Parent 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 Parent Bank.

The Parent 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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

5.2. 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	93.637.957	3.448.187	1.866.508	-	-	-	-
2	Debt securities	21.259.795	-	-	-	-	-	-
3	**Total**	**114.897.752**	**3.448.187**	**1.866.508**	**-**	**-**	**-**	**-**
4	Of which defaulted	1.649.864	27.227	2.282	-	-	-	-

	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	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	-	-	-	-

6. Credit risk when standard approach is used

6.1. CRA – Qualitative disclosures which shall be made related to grading marks used by the Banks while calculating credit risk with standard approach:

a) Marks of Fitch credit rating institution are used in credit risk standard approach calculations.

Credit Quality Step	Fitch Ratings Credit	Exposure Categories			
		Exposures to Central Governments or Central Banks	Exposures to Banks and Brokerage Houses: Exposures with Original Maturities Less Than 3 Months	Exposures to Banks and Brokerage Houses: Exposures with Original Maturities More Than 3 Months	Exposures to Corporates
1	AAA AA+ AA AA-	0%	20%	20v	20%
2	A+ A A-	20%	20%	50%	50%
3	BBB+ BBB BBB-	50%	20%	50%	100%
4	BB+ BB BB-	100%	50%	100%	100%
5	B+ B B-	100%	50%	100%	150%
6	CCC+ CCC CCC- CC C D	150%	150%	150%	150%
Gradeless	Gradeless	100%	20% (1)	50% (1)	100%

b) Centralized administrations and Banks take CRA marks into account for risk classes.

c) Mark assigned to a debtor is taken into account for all assets of the debtor.

d) CRA, which is not included in twinning table of the institution, is not used.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

6.2. 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	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	38.071.115	-	45.091.776	-	7.760.540	17%
2	Exposures to regional governments or local authorities	83.573	65	83.573	-	41.787	50%
3	Exposures to public sector entities	204.471	45.137	141.586	19.883	161.468	100%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to institutions	3.927.326	1.899.230	3.859.872	1.403.725	2.804.553	53%
7	Exposures to corporates	44.496.898	27.481.706	41.907.794	13.660.450	55.568.244	100%
8	Retail exposures	51.160.971	61.060.073	44.995.527	2.962.917	35.968.832	75%
9	Exposures secured by residential property	3.529.985	385.722	3.529.986	10.468	1.239.159	35%
10	Exposures secured by commercial real estate	2.483.102	171.553	2.483.102	101.996	1.292.549	50%
11	Past-due loans	1.434.475	-	1.432.296	-	1.050.259	73%
12	Higher-risk categories by the Agency Board	261.252	6.044	261.149	520	392.503	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	0%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
16	Other assets	6.157.044	279.748	6.157.044	-	4.425.825	72%
17	Investments in equities	1.453.592	-	1.453.592	-	1.453.592	100%
18	**Total**	**153.263.804**	**91.329.278**	**151.397.297**	**18.159.959**	**112.159.311**	**66%**

	Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	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%**

6.3. CR5 – Standardised approach – exposures by asset classes and risk weights:

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Current Period

	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount(*)
1	Exposures to central governments or central banks	37.331.236	-	-	-	-	-	7.760.540	-	-	45.091.776
2	Exposures to regional governments or local authorities	-	-	-	-	83.573	-	-	-	-	83.573
3	Exposures to public sector entities	-	-	-	-	-	-	161.469	-	-	161.469
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1.211.615	-	2.979.504	-	1.072.478	-	-	5.263.597
7	Exposures to corporates	-	-	-	-	-	-	55.568.244	-	-	55.568.244
8	Retail exposures	-	-	-	-	-	47.958.444	-	-	-	47.958.444
9	Exposures secured by residential property	-	-	-	3.540.454	-	-	-	-	-	3.540.454
10	Exposures secured by commercial real estate	-	-	-	-	2.585.098	-	-	-	-	2.585.098
11	Past-due loans	-	-	-	-	764.075	-	668.221	-	-	1.432.296
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	261.669	-	261.669
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	-	-	-	-	-	-	1.453.592	-	-	1.453.592
17	Other Assets	1.731.218	-	2	-	-	-	4.425.824	-	-	6.157.044
18	**Total**	**39.062.454**	**-**	**1.211.617**	**3.540.454**	**6.412.250**	**47.958.444**	**71.110.368**	**261.669**	**-**	**169.557.256**

Prior Period

	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount
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 Assets	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**

7. Disclosures regarding counterparty credit risk

7.1. 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 within the framework of the Counterparty Credit Policy approved by the Board of Directors. In this policy, the scope of the CCR, the risk calculation method, and the distribution of responsibility distribution were determined. The general lines determined in the CCR policy are detailed with the Derivative Products Application Instructions.

The 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, gamma 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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7.2. 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)	8.021.683	1.506.135	-	1,4	3.944.732	2.258.470
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)	-	-	-	-	1.745.138	622.861
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	**Total**	**-**	**-**	**-**	**-**	**-**	**2.881.331**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	3.535.584	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**

7.3. 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	3.944.732	2.153.506	816.907	320.142
4	**Total amount of CVA capital adequacy**	**3.944.732**	**2.153.506**	**816.907**	**320.142**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7.4. CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weight

	Current Period									
	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
1	Exposures from central governments or central banks	6.925	-	-	-	-	-	-	-	6.925
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	2	-	-	2
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	1.021.435	3.964.214	-	69.488	-	-	5.055.137
7	Exposures from corporates	-	-	-	-	-	616.472	-	-	616.472
8	Retail receivables	-	-	-	-	10.703	-	-	-	10.703
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	631	-	631
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**	**6.925**	**-**	**1.021.435**	**3.964.214**	**10.703**	**685.962**	**631**	**-**	**5.689.870**

	Prior Period									
	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
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**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7.5. 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.

7.6. CCR5 – Composition of collateral for CCR exposure:

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
Current Period	Segregated	Unsegregated	Segregated	Unsegregated	Collaterals Taken	Collaterals Given
Cash-Local Currency	-	-	-	-	92.273	-
Cash - Foreign Currency	-	6.140.938	-	2.124.008	4.622.546	-
Government bond-domestic	-	-	-	-	100.070	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**6.140.938**	**-**	**2.124.008**	**4.814.889**	**-**

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
Prior Period	Segregated	Unsegregated	Segregated	Unsegregated	Collaterals Taken	Collaterals Given
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**	**-**

7.7. CCR6 –Credit Derivatives

Related table is not presented due to the Parent Bank has no risk arrived from derivative credit received or sold (December 31, 2017 - None).

7.8. 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 (December 31, 2017 - None).

7.9. CCR8 – Exposures to central counterparties

Related table is not presented due to the Parent Bank has no risk against to counterparty (December 31, 2017 - None).

8. Securitization exposures:

The Parent Bank has no securitization transactions (December 31, 2017 - None).

9. Disclosures regarding Market Risk

9.1. 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. Financial Assets at Fair Value through Profit/Loss accounts covers all derivative products except for Financial Assets at Fair Value through Profit/Loss, open exchange position and having hedging purposes.

The Parent 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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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 for both 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.

9.2. MR1- Market risk under standardised approach

		RWA(**)	
		Current Period	Prior Period
	Outright products(*)	1.627.963	1.993.488
1	*Interest rate risk (general and specific)*	*1.467.913*	*1.549.350*
2	*Equity risk (general and specific)*	*25.525*	*61.037*
3	*Foreign exchange risk*	*132.250*	*380.688*
4	*Commodity risk*	*2.275*	*2.413*
	Options	26.525	22.900
5	*Simplified approach*	-	-
6	*Delta-plus method*	*26.525*	*22.900*
7	*Scenario approach*	-	-
8	*Securitization*	-	-
9	**Total**	**1.654.488**	**2.016.388**

(*) 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

10. Explanations on Consolidated Operational Risk

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2018, 2017, 2016 and 2015 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, 2018, the total amount subject to operational risk is TL 10.473.509 (December 31, 2017 - TL 9.225.592).

Current Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	4.775.557	5.476.801	6.505.256	5.585.871	15	837.881
Amount subject to operational risk (Total*12,5)						**10.473.509**

Prior Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
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**

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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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 ("cross currency risk").

Board of Directors has determined the limits considering the consistency with the "Foreign Currency Net General Position." Positions are being followed daily and limits are reviewed at least once a year depending on economic conditions and The Parent Bank strategy and updated as deemed necessary.

In measuring the exchange rate exposure of The Parent 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

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	5,2609 TL
Euro purchase rate in the balance sheet date	6,0280 TL

Tarih	US Dollar	Euro
December 31, 2018	5,2609	6,0280
December 28, 2018	5,2889	6,0245
December 27, 2018	5,2832	6,0185
December 26, 2018	5,3034	6,0419
December 25, 2018	5,2926	6,0291

4. The basic arithmetical average of the Parent Bank's foreign exchange bid rate for the last thirty days

The arithmetical average of the Parent Bank's US Dollar and Euro purchase rates for December 2018 are TL 5,3061 and TL 6,0387 respectively.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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5. Information on the consolidated foreign exchange risk of the Group (Thousands of TL)

Current Period	EUR	USD	Other	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]	8.698.390	5.933.093	2.057.242	16.688.725
Due From Banks	106.355	887.228	43.006	1.036.589
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)[2]	300.161	270.168	132	570.461
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	513.387	3.385.031	-	3.898.418
Loans[3]	20.727.313	14.217.525	213.973	35.158.811
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	175.108	4.840.580	-	5.015.688
Derivative Financial Assets Hedging Purposes	2.049	142.445	-	144.494
Tangible Assets	-	-	61	61
Intangible Assets	-	-	-	-
Other Assets[4]	1.152.474	1.035.905	559	2.188.938
Total Assets	**31.675.237**	**30.711.975**	**2.314.973**	**64.702.185**
Liabilities				
Bank Deposits	1.105.303	2.361.406	84.892	3.551.601
Foreign Currency Deposits[5]	9.659.953	26.265.996	2.585.570	38.511.519
Money Market Borrowings	312.287	4.310.259	-	4.622.546
Funds Provided from Other Financial Institutions	8.120.355	14.269.770	1.876.185	24.266.310
Securities Issued	534.016	7.174.489	57.398	7.765.903
Sundry Creditors	5.651.727	707.511	7.591	6.366.829
Derivative Fin. Liabilities Hedging Purposes	88.053	304.108	-	392.161
Other Liabilities[6]	398.686	492.222	6.073	896.981
Total Liabilities	**25.870.380**	**55.885.761**	**4.617.709**	**86.373.850**
Net Balance Sheet Position	**5.804.857**	**(25.173.786)**	**(2.302.736)**	**(21.671.665)**
Net Off-Balance Sheet Position	-5.623.875	24.735.748	2.307.317	21.419.190
Financial Derivative Assets	14.555.072	70.548.346	2.403.102	87.506.520
Financial Derivative Liabilities	20.178.947	45.812.598	95.785	66.087.330
Non-Cash Loans[7]	7.367.223	7.133.391	443.815	14.944.429
Prior Period				
Total Assets	19.695.508	26.452.232	2.011.408	48.159.148
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	4.724.545	5.457.980	293.108	10.475.633

(1) Cash and Balances with TR Central; Other FC include TL 2.020.547 (December 31, 2017 – TL 1.799.886) precious metal deposit account.
(2) Does not include TL 57.113 (December 31, 2017 – TL 53.594) of currency income accruals arising from derivative transactions.
(3) Includes TL 2.162.619(December 31, 2017 – TL 3.382.889) FC indexed loans. Does not include repealed financial leasing receivables amounting to TL 51.659 (December 31, 2017 – TL 6.737) accounted as FC in balance sheet. Includes FC indexed factoring receivables amounting to TL 27.754 (December 31, 2017 – TL 60.973) accounted as TL in balance sheet.
(4) Does not include FC prepaid expenses amounting to TL 11.258 (December 31, 2017 – TL 9.192) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006.
(5) Foreign currency deposits include TL 1.862.513 (December 31, 2017 – TL 1.198.394) of precious metal deposit account.
(6) Other Liabilities do not include the Foreign Exchange Loan Factoring payables amounting to TL 2.945.
(6) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 75.265 (December 31, 2017 – TL 22.830)
(7) Does not have an effect on Net Off-balance Sheet Position.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

6. Sensitivity to Foreign Exchange Risk

The Group is exposed to currency risk in Euro and US Dollars.

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% increase	(3.403)	(36.791)	(8.248)	(22.596)
	10% decrease	3.403	36.791	8.248	22.596
EURO	10% increase	14.117	10.822	(10.467)	(10.232)
	10% decrease	(14.117)	(10.822)	10.467	10.232

(*) Effect on Shareholders Equity include the effect of the change of exchange rates on the income statement.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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 every two weeks 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 every nine months. Therefore the Parent 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.

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing [1]	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank [2]	6.948.670	-	-	-	-	11.525.632	18.474.302
Due from Banks [3]	63.245	-	77	-	-	1.178.289	1.241.611
Financial Assets at Fair Value Through Profit/ Loss [4]	19.561	13.878	1.305	12.758	7.828	9.577.455	9.632.785
Money Market Placements	507.706	-	2.000	-	-	-	509.706
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) [5]	295.420	537.796	3.121.016	1.944.318	2.689.994	2.671.512	11.260.056
Loans and Receivables	29.113.751	10.730.449	26.600.170	25.786.714	3.760.403	4.385.104	100.376.591
Financial Assets Measured at Amortized Cost [6]	1.302.442	1.696.535	3.692.648	1.684.718	3.543.329	975.444	12.895.116
Other Assets	-	-	-	-	-	9.110.067	9.110.067
Total Assets	**38.250.795**	**12.978.658**	**33.417.216**	**29.428.508**	**10.001.554**	**39.423.503**	**163.500.234**
Liabilities							
Bank Deposits							
Other Deposits	2.399.564	660.154	53.659	-	-	564.208	3.677.585
Money Market Borrowings	45.208.078	15.892.388	6.055.592	150.735	164	15.841.674	83.148.631
Sundry Creditors	2.193.999	1.712.362	1.324.744	41.625	37.132	23.810	5.333.672
Securities Issued	6.212.585	-	-	-	-	3.145.516	9.358.101
Funds Borrowed	1.611.103	3.503.049	2.882.177	3.799.105	-	54.643	11.850.077
Other Liabilities[7]	3.700.911	5.148.542	12.742.802	1.421.288	2.352.810	1.978	25.368.331
Total Liabilities	51.259	2.539	11.242	149.295	-	24.549.502	24.763.837
On Balance Sheet Long Position	**61.377.499**	**26.919.034**	**23.070.216**	**5.562.048**	**2.390.106**	**44.181.331**	**163.500.234**
On Balance Sheet Short Position							
Off-Balance Sheet Long Position	-	-	10.347.000	23.866.460	7.611.448	-	41.824.908
Off-Balance Sheet Short Position	(23.126.704)	(13.940.376)	-	-	-	(4.757.828)	(41.824.908)
Total Position	5.271.880	21.627.288	1.917.808	-	-	-	28.816.976
Current Period	-	-	-	(15.205.275)	(7.384.089)	-	(22.589.364)
Assets	**(17.854.824)**	**7.686.912**	**12.264.808**	**8.661.185**	**227.359**	**(4.757.828)**	**6.227.612**

[1] Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
[2] Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 37.141 expected loss provisions.
[3] Banks include balance of expected loss provisions amounting to TL 441
[4] Financial Assets at Fair Value Through Profit/Loss include amount of TL 9587.046 derivative financial assets used for hedging purposes.
[5] Receivables from Money Markets include the balance of expected loss provisions of TL 5.
[6] Financial Assets Measured at Fair Value Through Other Comprehensive Income include amount of TL 2.814.283 derivative financial assets through other comprehensive income.
[7] Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 37.077
[8] Other Liabilities includes TL 336.173 of the Reflected Financial Liabilities at the Fair Value Difference of Other Derivative Financial Liabilities.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing[1]	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	9.075.895	-	-	-	-	6.806.377	15.882.272
Due from Banks	929.337	4.089	8.189	-	-	358.157	1.299.772
Financial Assets at Fair Value Through Profit/ Loss[2]	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[3]	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**

[1] Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
[2] Financial Assets at Fair Value Through Profit/Loss include TL 2.938.126 derivative financial assets used for hedging purposes.
[3] Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 536.074.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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	-	2,00	-	13,00
Due from Banks	-	1,36	-	23,69
Financial Assets Measured at Fair Value through Profit/Loss	1,98	6,10	-	18,83
Money Market Placements	-	-	-	26,04
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,52	5,00	-	20,91
Loans and Receivables	4,85	7,26	2,39	21,10
Financial Assets Measured at Amortized Cost	4,84	5,27	-	25,80
Liabilities				
Bank Deposits	1,26	3,81	-	22,40
Other Deposits	1,64	4,17	0,83	22,34
Money Market Borrowings	0,24	2,43	-	16,27
Sundry Creditors	0,36	2,27	-	-
Securities Issued	1,43	5,62	-	24,91
Funds Borrowed	2,44	5,09	-	20,35

	EUR %	USD %	JPY %	TL %
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	1,25	-	4,00
Due from Banks	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 to Maturity	2,96	5,22	-	13,93
Liabilities				
Bank Deposits	1,06	1,89	-	12,42
Other Deposits	1,60	3,49	0,37	13,06
Money Market Borrowings	0,21	1,86	-	12,56
Sundry Creditors	0,34	1,27	-	-
Securities Issued	-	5,57	-	14,86
Funds Borrowed	2,35	3,24	-	12,76

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.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) 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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity - Losses/Equity
1. TL	(+) 500	(989.277)	(5,24)%
	(-) 400	908.962	4,82%
2. EURO	(+) 200	(128.399)	(0,68)%
	(-) 200	152.344	0,81%
3. USD	(+) 200	230.331	1,22%
	(-) 200	(244.086)	(1,19)%
Total (of negative shocks)		**817.220**	**4,33%**
Total (of positive shocks)		**(887.345)**	**(4,70)%**

V. Explanations on Consolidated Position Risk of Equity Securities in Banking Book

	Comparison		
Equity Securities (shares)	Carrying Value	Fair Value	Carrying Value
1. Equity Investments Group A	**15.445**	**-**	**15.445**
Quoted Securities	15.445	-	15.445
2. Equity Investments Group B	**-**	**-**	**-**
Quoted Securities	-	-	-
3. Equity Investments Group C	**-**	**-**	**-**
Quoted Securities	-	-	-
4. Equity Investments Group Other	**179.148**	**148.674**	**-**

(*) Associates and subsidiaries not quoted to BIST and not classified as investment in shares by Capital Market Board.

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses			Unrealized Gains and Losses	
		Total	Amount under Core Capital	Total	Amount under Core Capital	Total
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	2.079	-	-	287	-	129
3. Other Shares	-	-	-	-	-	-
4. Total	**2.079**	**-**	**-**	**287**	**-**	**129**

VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio

Liquidity Risk of the 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 the 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 The Parent Bank in order to monitor related limits. Senior management of The Parent Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of the Parent 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 Parent Bank monthly in addition to aforementioned meetings and informs Board of Directors. The Parent Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALC meetings monthly with the participation of senior management. Several decisions are taken related to management of short and long term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

The Parent Bank has no liquidity management center and each entity, which is under control of the Parent Bank, performs its liquidity management separately from the Parent Bank by an authority responsible for liquidity management. Fund amounts, which shall be used by associates from the Parent Bank, are determined in the framework of limits.

It is essential for the Parent Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Parent 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.

A large part of the Parent 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 Parent 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 Parent Bank watches over reducing customer deposit concentration and controls concentration level daily in line with warning level approved by the Board of Directors.

The Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which the 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.

The Emergency Funding Plan (EMP) of the Parent Bank regulates funding activities to be used in liquidity crisis periods specific to the Parent 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 Parent 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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Liquidity Coverage Ratio

Current Period - December 31, 2018	Unweighted Amounts(*)		Weighted Amounts(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			**29.090.785**	**17.514.960**
1 High Quality Liquid Assets	29.090.785	17.514.960	29.090.785	17.514.960
CASH OUTFLOWS				
2 Retail and Small Business Customers Deposits	61.151.263	28.298.893	5.528.010	2.829.889
3 Stable deposits	11.742.326	-	587.116	-
4 Less stable deposits	49.408.937	28.298.893	4.940.894	2.829.889
5 Unsecured Funding other than Retail and Small Business Customers Deposits	28.840.585	17.685.716	18.563.980	11.614.627
6 Operational deposits	601.809	63.785	150.452	15.946
7 Non-Operational Deposits	19.711.002	13.268.463	11.424.323	7.322.600
8 Other Unsecured Funding	8.527.774	4.353.468	6.989.205	4.276.081
9 Secured funding	-	-	205.867	205.867
10 Other Cash Outflows	17.534.244	10.629.289	17.534.244	10.629.289
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	17.534.244	10.629.289	17.534.244	10.629.289
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	27.962.050	1.443.393	1.398.103	72.170
15 Other irrevocable or conditionally revocable commitments	61.854.232	16.095.464	4.551.341	1.400.986
16 TOTAL CASH OUTFLOWS			**47.781.545**	**26.752.828**
CASH INFLOWS				
17 Secured Lending Transactions	26.975	-	-	-
18 Unsecured Lending Transactions	8.445.989	1.933.202	5.151.747	1.668.377
19 Other contractual cash inflows	17.217.905	14.063.547	17.217.905	14.063.547
20 TOTAL CASH INFLOWS	**25.690.869**	**15.996.749**	**22.369.652**	**15.731.924**

	Capped Amounts	
21 TOTAL HIGH QUALITY LIQUID ASSETS	**29.090.785**	**17.514.960**
22 TOTAL NET CASH OUTFLOWS	**25.411.893**	**11.020.904**
23 LIQUDITY COVERAGE RATIO (%)	**114,48%**	**158,92%**

(*) Simple arithmetic average calculated for the last three month of values calculated by taking the monthly simple arithmetic average.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior 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	**LIQUDITY COVERAGE RATIO (%)**			**98,30%**	**125,58%**

(*) Simple arithmetic average calculated for the last three month of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three month.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Minimum, maximum and average liquidity coverage ratios calculated in accordance with the "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014 for the last three month are explained in the table below:

	Maximum	Week	Minimum	Week	Average
TL+FC	141,94	12.10.2018	97,62	30.11.2018	114,93
FC	280,06	30.10.2018	118,90	12.12.2018	166,42

The 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 53% of total liabilities of the Group (December 31, 2017 – 51%) 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. The 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 one 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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated[1]	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank[2]	7.691.791	10.819.652	-	-	-	-	(37.141)	18.474.302
Due from Banks[3]	1.178.555	63.418	-	79	-	-	(441)	1.241.611
Financial Assets at Fair Value Through Profit/Loss[4]	7.868	608.334	1.219.345	2.635.821	4.773.271	371.497	16.649	9.632.785
Money Market Placements	-	507.711	-	2.000	-	-	(5)	509.706
Financial Assets Measured at Fair Value through Other Comprehensive Income[5]	118.171	1.718	598.951	1.466.099	5.450.431	3.624.686	-	11.260.056
Loans and Receivables[6]	-	19.082.854	8.821.945	25.695.002	33.047.314	12.052.385	1.677.091	100.376.591
Financial Assets Measured at Amortized Cost[7]	-	-	301.812	509.935	5.729.451	6.390.995	(37.077)	12.895.116
Other Assets	-	3.838.308	18.730	27.102	942.211	2.137	4.281.579	9.110.067
Total Assets	**8.996.385**	**34.921.995**	**10.960.783**	**30.336.038**	**49.942.678**	**22.441.700**	**5.900.655**	**163.500.234**
Liabilities								
Bank Deposits	555.547	2.405.997	661.864	54.177	-	-	-	3.677.585
Other Deposits	15.120.543	45.577.241	16.081.731	6.216.318	152.633	165	-	83.148.631
Funds Borrowed	-	3.250.480	1.735.553	7.538.981	6.640.651	6.202.666	-	25.368.331
Money Market Borrowings	-	2.206.007	858.893	528.141	834.281	906.350	-	5.333.672
Securities Issued	-	1.611.424	2.137.312	3.299.848	4.766.782	34.711	-	11.850.077
Sundry Creditors	-	3.008.394	815.664	1.889.275	3.644.768	-	-	9.358.101
Other Liabilities[8]	-	3.673.169	955.748	1.513.312	2.673.707	447.367	15.500.534	24.763.837
Total Liabilities	**15.676.090**	**61.732.712**	**23.246.765**	**21.040.052**	**18.712.822**	**7.591.259**	**15.500.534**	**163.500.234**
Liquidity Excess / Gap	**(6.679.705)**	**(26.810.717)**	**(12.285.982)**	**9.295.986**	**31.229.856**	**14.850.441**	**(9.599.879)**	**-**
Net Off- Balance Sheet Position[9]	**-**	**(477.540)**	**936.632**	**2.070.666**	**2.289.683**	**31.041**	**-**	**4.850.482**
Receivables from financial derivative instruments	-	18.794.816	14.225.803	22.354.597	37.228.868	18.475.965	-	111.080.049
Liabilities from derivative financial instruments	-	19.272.356	13.289.171	20.283.931	34.939.185	18.444.924	-	106.229.567
Non Cash Loans[10]	**-**	**1.246.671**	**2.179.701**	**8.419.216**	**2.914.717**	**412.843**	**8.516.098**	**23.689.246**
Prior period								
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
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[6]	**-**	**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[7]	**-**	**1.100.786**	**2.055.672**	**7.089.728**	**2.717.879**	**404.698**	**5.946.286**	**19.315.049**

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column. Unallocated other liabilities include equities amount of TL 14.603.443 and also include amount of TL 826.061 unallocated provisions and deferred tax liabilities.
(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include expected loss provisions amounting to TL 36.812
(3) Banks include balance of expected loss provisions amounting to TL 775
(4) Financial assets at fair value through profit/loss include derivative financial assets through profit loss amounting to TL 9.587.046
(5) Receivables from Money Markets include balance of expected loss provisions amounting to TL 5
(6) Financial assets at fair value through other comprehensive income include derivative financial assets through other comprehensive income amounting to TL 2.814.283
(7) Loans and receivables include leasing and factoring receivables.
(8) Financial assets measured at amortized cost include TL 37.077 of expected loss provisions.
(9) Other Liabilities The fair value difference of derivative financial liabilities held for hedging purposes amounting to TL 336.173 is included in other comprehensive income.
(10) 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.
(11) Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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	555.547	2.408.606	665.320	56.127	-	-	3.685.600	3.677.585
Other Deposits	15.120.543	45.800.136	16.421.335	6.839.246	179.722	243	84.361.225	83.148.631
Payables to Money Market	-	2.641.026	1.030.945	712.458	893.988	1.112.929	6.391.346	5.333.672
Funds from other Financial Institutions	-	3.296.014	1.811.435	8.192.542	8.310.726	7.580.284	29.191.001	25.368.331
Securities Issued	-	1.622.538	2.215.468	3.644.350	5.279.491	34.711	12.796.558	11.850.077
Noncash Loans(*)	8.516.098	1.246.671	2.179.701	8.419.216	2.914.717	412.843	23.689.246	23.689.246

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	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	10.398.025
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

(*) 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(**)	2.400.029	902.506	602.351	727.309	-	4.632.195
Forward contracts selling(**)	(2.300.428)	(903.603)	(589.513)	(819.265)	-	(4.612.809)
Swap contracts buying(*)	15.063.581	10.755.485	20.821.697	36.895.955	18.740.180	102.276.898
Swap contracts selling(*)	(13.535.238)	(9.827.367)	(18.805.913)	(33.675.335)	(18.709.141)	(94.552.994)
Futures buying	-	-	118.507	-	-	118.507
Futures selling	-	-	(118.507)	-	-	(118.507)
Options buying	3.043.101	2.321.887	765.176	-	-	6.130.164
Options selling	(3.245.783)	(2.226.985)	(725.544)	-	-	(6.198.312)
Other	-	105.218	-	710.223	-	815.441
Total	**1.425.262**	**1.127.141**	**2.068.254**	**3.838.887**	**31.039**	**8.490.583**

(*) 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 (**)	3.376.800	1.322.808	1.232.445	750.734	-	6.682.787
Forward contracts selling(**)	(3.384.148)	(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**	**385.081**	**1.305.412**	**2.099.619**	**21.733**	**4.011.846**

(*) Derivative financial assets held for cash flow hedges are included.
(**) Include the Dated, Asset Value Buying and Selling obligations that are in Obligations.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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 6,21% (December 31, 2017: 6,17%). 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(*)	164.418.175	129.733.795
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 Communique on the Preparation of Consolidated Financial Statements	351.253	522.744
3	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives	1.411.506	1.275.678
4	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique 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 Communique on the Preparation of Consolidated Financial Statements of off balance transactions	66.754.396	57.572.480
6	Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	(476.703)	(394.938)
7	**Total Risk Amount**	**232.458.627**	**188.709.759**

(*) Consolidated financial statements prepared in accordance with the 5th clause and 6th subclause of Communique on the Preparation of Consolidated Financial Statements.
(**) Amounts presented above represent the arithmetic average of the last three month

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(*)	Current Period(*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	150.821.711	124.173.604
(Assets deducted from capital stock)	476.703	394.938
Total risk amount related to Assets on Balance sheet	**150.345.008**	**123.778.666**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	13.947.717	6.082.935
Potential credit risk amount of derivative financial instruments and credit derivatives	1.411.506	1.275.678
Total risk amount related to derivative financial instruments and credit derivatives	**15.359.223**	**7.358.613**
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	93.141.238	74.916.230
(Adjustment amount sourcing from multiplying to credit conversion rates)	26.386.842	17.343.750
Total risk amount related to off-balance sheet transactions	**66.754.396**	**57.572.480**
Capital and Total Risk		
Core Capital	14.432.959	11.665.362
Amount of total risk	232.458.627	188.709.759
Financial leverage ratio		
Financial leverage ratio	6,21%	6,18%

(*) Amounts stated in table shows the last quarter averages of related period.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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.

The fair value of financial assets measured at amortized cost; market prices or, where such price cannot be determined, interest is determined on the basis of quoted market prices for other securities subject to the same qualified amortization in terms of maturity and other similar conditions.

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.

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.

Current Period	Carrying value	Fair value
Financial Assets	**123.506.320**	**119.015.145**
Banks	509.711	509.706
Receivables from Money Market	1.242.052	1.241.611
Loans and Receivables	8.445.773	8.445.773
Factoring Receivables	12.932.193	12.088.537
Leasing Receivables	100.376.591	96.729.072
Available for Sale Financial Assets	138.736.397	137.831.565
Securities Held to Maturity	3.677.585	3.677.753
Financial Liabilities	**83.148.631**	**83.169.436**
Bank Deposits	25.368.331	24.650.833
Other Deposits	5.333.672	5.333.672
Funds from Other Financial Institutions	11.850.077	11.641.770
Payables to Money Market	9.358.101	9.358.101

Prior Period	Carrying value	Fair value
Financial Assets	**105.335.591**	**104.256.561**
Banks	1.299.772	1.299.772
Receivables from Money Market	241.859	241.859
Loans and Receivables	82.428.356	81.265.434
Factoring Receivables	1.381.002	1.381.002
Leasing Receivables	4.466.063	4.559.412
Available for Sale Financial Assets	8.349.875	8.349.875
Securities Held to Maturity	7.168.664	7.159.207
Financial Liabilities	**112.679.441**	**112.626.047**
Bank Deposits	2.344.879	2.344.927
Other Deposits	65.198.496	65.219.301
Funds from Other Financial Institutions	21.522.863	21.399.361
Payables to Money Market	6.999.767	6.999.767
Securities Issued	10.398.025	10.447.280
Other Debts	6.215.411	6.215.411

TFRS 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:

a) Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

b) 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

c) Level 3: Assets and liabilities where no observable market data can be used for valuation

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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	**8.250.167**	**12.637.762**	**110.032**	**20.997.961**
Financial Assets at Fair Value through Profit/Loss	45.739	-	110.032	155.771
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)				
Assets on Trading Derivatives (**)	8.201.732	239.129	-	8.440.861
Derivative Financial Assets	2.696	12.398.633	-	12.401.329
Financial Liabilities	**3.073**	**6.447.116**	**-**	**6.450.189**
Derivative Financial Liabilities	3.073	6.447.116	-	6.450.189

(*) The details of the balance are amounting to TL 110.032 under Financial Assets at Fair Value Through Profit and Loss, which is disclosed in Note 6.b.2 of Section Five.
(**) The fair value difference does not include share balance amounting to TL 4.912 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

Prior 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
Available for Sale Financial Assets	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

(*) 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	**-**	**-**
Change in total gain/loss	-	-
Accounted in income statement	-	-
Accounted in other comprehensive income	-	-
Purchases	110.032	-
Disposals	-	-
Matured Loans	-	-
Sales from Level 3	-	-
Closing Balance	**110.032**	**-**

IX. 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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Consolidated Assets

a) Cash and balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	787.020	849.141	644.333	340.629
T.R. Central Bank	1.035.698	15.770.333	1.461.242	13.408.983
Others	-	69.251	25.365	1.720
Total	**1.822.718**	**16.688.725**	**2.130.940**	**13.751.332**

b) Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1.035.698	4.950.681	849.656	2.239.530
Restricted Time Deposits	-	10.819.652	611.586	11.169.453
Total	**1.035.698**	**15.770.333**	**1.461.242**	**13.408.983**

As of December 31, 2018 amount of TL 37.141 provision provided for the account T.R. Central Bank with adoption of TFRS 9.

As of December 31, 2018, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 1,5% to 8% depending on the maturity of deposits (December 31, 2017 – 4% to 10,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 20% depending on the maturity of deposits and other liabilities (December 31, 2017 – 4% and 24%). 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	3.676	695	28.219	1.113
Subject to repurchase agreement	-	-	14.275	-
Total	**3.676**	**695**	**42.494**	**1.113**

b) Positive differences on trading derivative instruments

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	138.487	-	43.711	-
Swap Transactions	4.674.014	428.270	2.213.686	184.096
Futures	-	2.576	-	105
Options	120	188.916	884	61.660
Other	-	-	-	-
Total	**4.812.621**	**619.762**	**2.258.281**	**245.861**

Positive differences from derivative assets for trading were shown at "Financial Assets Fair Value Through Profit/Loss" account at prior periods. As a result of TFRS 9 adoption at current period, this difference has shown under the column 1.5 derivative financial assets.

3. a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	205.463	1.036.589		
Domestic	205.457	1.210	16.806	845.929
Foreign	6	1.035.379	851	436.186
Foreign Head Offices and Branches	-	-	-	-
Total	**205.463**	**1.036.589**	**17.657**	**1.282.115**

As a result of TFRS 9 adoption, amount of TL 441 provision established for banks account as of December 31, 2018.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	228.892	69.846	39.428	17.419
USA and Canada	568.966	240.799	160.682	103.924
OECD Countries(*)	1.535	2.133	-	-
Off-shore Banking Regions	-	-	-	-
Other	35.882	2.916	-	-
Total	**835.275**	**315.694**	**200.110**	**121.343**

(*) Include OECD countries other than the EU countries, USA and Canada.

(**) Includes blocked placements amounting to TL 200.110 at foreign banks (December 31, 2017 - TL 121.343) for the funds borrowed from foreign banks.

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	**100.070**	**-**	**-**	**-**
T.R. Central Bank	-	-	-	-
Banks	100.070	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	**-**	**-**	**-**	**-**
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Total	**100.070**	**-**	**-**	**-**

As of December 31, 2018, due to the transition to TFRS 9, a provision amounting to TL 5 is provided to the accounts receivable from the money markets.

5. Information on Financial Assets Measured at Fair Value through Other Comprehensive Income

a.1) Information on financial assets measured at fair value through other comprehensive income subject to repurchase agreements and provided as Collateral /blocked

	Current Period	
	TL	FC
Given as Collateral / Blocked	66.853	654.173
Subject to repurchase agreements	92.213	2.722.377
Total	**159.066**	**3.376.550**

a.2) Information on investment securities available for-sale subject to repurchase agreements and provided as Collateral /blocked

	Prior Period	
	TL	FC
Given as Collateral / Blocked	543.802	556.466
Subject to repurchase agreements	1.824.242	2.544.108
Total	**2.368.044**	**3.100.574**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

b.1) Information on Financial Assets Measured at Fair Value through Other Comprehensive Income:

	Current Period
Debt securities	**8.742.018**
Quoted on a stock exchange (*)	8.742.018
Unquoted on a stock exchange	-
Share certificates	**119.995**
Quoted on a stock exchange	1.718
Unquoted on a stock exchange(**)	118.277
Impairment provision (-)(***)	**(416.240)**
Total	**8.445.773**

b.2) Information on Securities Available for Sale:

	Prior Period
Debt securities	**8.372.633**
Quoted on a stock exchange (*)	8.372.633
Unquoted on a stock exchange	-
Share certificates	**76.072**
Quoted on a stock exchange	27
Unquoted on a stock exchange(**)	76.045
Impairment provision (-)	**(98.830)**
Total	**8.349.875**

(*) The Eurobond Portfolio amounting to TL 2.654.262 (December 31, 2017 - TL 4.072.503) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as financial assets measured at fair value through other comprehensive income in order to be in line with balance sheet presentation.
(**) It includes 11.695 Type C Visa Inc. shares transferred to Main Partner Bank because of exchange of stock as a result of transferring of Visa Europe Ltd to Visa Inc.
(***) As a result of adoption of TFRS 9, as of December 31, 2018 amount of TL 19.492 provision provided for financial assets measured at fair value through other comprehensive income account.

6. Information related to loans

a) Information on all types of loans and advances given to shareholders and employees of the Parent Bank

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	**1.755**	**-**	**613**	**-**
Corporate Shareholders	1.755	-	613	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees(*)	85.830	-	82.484	-
Total	**87.585**	**-**	**83.097**	**-**

(*) Includes advances given to the bank personnel.

b) Information on the first and second group loans and other receivables including rescheduled or restructured loans

b.1) Loans measured at amortised cost

Cash Loans	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans	
			Loans with Revised Contract Terms	Refinance
Non Specialized Loans	**85.368.415**	**5.633.036**	**346.076**	**3.951.494**
Entreprise Loans	915.537	9.220	-	-
Export Loans	1.899.386	190.227	-	-
Import Loans	7.084	-	-	-
Financial Sector Loans	1.049.195	402	-	-
Consumer Loans	17.845.745	1.110.336	10.966	808.581
Credit Cards	12.662.694	808.356	-	606.521
Other	50.988.774	3.514.495	335.110	2.536.392
Specialized Loans	**-**	**-**	**-**	**-**
Other Receivables	**-**	**-**	**-**	**-**
Total	**85.368.415**	**5.633.036**	**346.076**	**3.951.494**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses (Stage I)	1.078.524	-
Significant Increase in Credit Risk (Stage II)	-	1.692.132

Number of Extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 times	1.108.737	4.093.160
3, 4 or 5 times	15.659	136.283
Over 5 times	2.654	68.127
Total	**1.127.050**	**4.297.570**

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 months	550.244	2.771.678
6 -12 months	35.573	296.668
1 - 2 years	294.613	702.325
2 - 5 years	192.064	500.111
5 years and over	54.556	26.788
Total	**1.127.050**	**4.297.570**

b.2) Includes loans measured at fair value through profit or loss.

In the current period, the Bank is monitoring 110.032 loan under fair value through profit and loss in accordance with TFRS 9. (December 31, 2017 - None)

c) Distribution of amortized loans and other receivables according to their maturities

Cash Loans	Standard Loans	Loans Under CloseMonitoring	
		Loans without Revised Contract Terms	Restructured Loans
Short-term Loans	31.601.948	809.219	606.521
Medium and Long-term Loans	53.766.467	4.823.817	3.691.049
Total	**85.368.415**	**5.633.036**	**4.297.570**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	**1.051.488**	**16.780.651**	**17.832.139**
Housing Loans	103.718	4.715.175	4.818.893
Automobile Loans	179	16.120	16.299
Personal Need Loans	947.591	12.049.356	12.996.947
Other	-	-	-
Consumer Loans-FC Indexed	**3.863**	**1.329**	**5.192**
Housing Loans	3.582	1.242	4.824
Automobile Loans	-	-	-
Personal Need Loans	281	87	368
Other	-	-	-
Consumer Loans-FC	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	**10.722.575**	**401.040**	**11.123.615**
Installment	3.858.489	401.040	4.259.529
Non- Installment	6.864.086	-	6.864.086
Individual Credit Cards-FC	**4.632**	**-**	**4.632**
Installment	-	-	-
Non- Installment	4.632	-	4.632
Personnel Loans-TL	**6.086**	**41.449**	**47.535**
Housing Loans	41	421	462
Automobile Loans	-	-	-
Personal Need Loans	6.045	41.028	47.073
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	**36.849**	**-**	**36.849**
Installment	13.710	-	13.710
Non-Installment	23.139	-	23.139
Personnel Credit Cards-FC	**66**	**-**	**66**
Installment	-	-	-
Non-Installment	66	-	66
Overdraft Accounts-TL (Real Persons)	**1.890.762**	**-**	**1.890.762**
Overdraft Accounts-FC (Real Persons)	**-**	**-**	**-**
Total	**13.716.321**	**17.224.469**	**30.940.790**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

e) Information on commercial loans with installments and corporate credit cards

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility – TL	**1.262.769**	**14.301.153**	**15.563.922**
Real Estate Loans	6.556	432.641	439.197
Automobile Loans	4.049	105.401	109.450
Personal Need Loans	1.252.164	13.763.111	15.015.275
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	**459.469**	**670.264**	**1.129.733**
Real Estate Loans	10.687	12.700	23.387
Automobile Loans	22.470	45.900	68.370
Personal Need Loans	426.312	611.664	1.037.976
Other	-	-	-
Commercial Loans with Installment Facility - FC	**-**	**-**	**-**
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards –TL	**2.888.533**	**23.232**	**2.911.765**
Installment	714.906	23.232	738.138
Non-Installment	2.173.627	-	2.173.627
Corporate Credit Cards –FC	**641**	**-**	**641**
Installment	-	-	-
Non-Installment	641	-	641
Overdraft Accounts-TL (Legal Entities)	**1.381.193**	**-**	**1.381.193**
Overdraft Accounts-FC (Legal Entities)	**-**	**-**	**-**
Total	**5.992.605**	**14.994.649**	**20.987.254**

f) Loans according to borrowers

	Current Period	Prior Period
Public	101.668	50.160
Private	95.307.385	81.585.320
Total	**95.409.053**	**81.635.480**

g) Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	94.878.795	81.118.403
Foreign Loans	530.258	517.077
Total	**95.409.053**	**81.635.480**

h) Loans granted to subsidiaries and associates

There are no loans granted to subsidiaries and associates (December 31, 2017 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

i) Specific provisions for loans

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	760.596	113.746
Loans and Receivables with Doubtful Collectability	625.240	348.575
Uncollectible Loans and Receivables	3.551.336	3.078.393
Total	**4.937.172**	**3.540.714**

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 Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period	**4.765**	**28.339**	**58.313**
Gross Amounts Before the Provisions	-	-	-
Restructured Loans	4.765	28.339	58.313
Prior Period	**-**	**2.481**	**57.600**
Gross Amounts Before the Provisions	-	-	-
Restructured Loans	-	2.481	57.600

j.2) Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Prior Period End Balance	**568.626**	**697.150**	**3.078.393**
Additions (+)	3.176.502	281.213	233.757
Transfers from Other Categories of Non-Performing Loans (+)	18	1.876.053	1.474.255
Transfers to Other Categories of Non-Performing Loans (-)	1.875.418	1.473.157	1.752
Collections (-)	415.792	357.988	499.021
Write-offs (-)	**-**	**4.970**	**143.606**
Corporate and Commercial Loans	-	4.970	139.514
Consumer Loans	-	-	2.176
Credit Cards	-	-	1.916
Others	-	-	-
Current Period End Balance	**1.453.936**	**1.018.301**	**4.142.026**
Specific Provision (-)	760.596	625.240	3.551.336
Net Balances on Balance Sheet	**693.340**	**393.061**	**590.690**

(*) Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192.500.000.000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors.As a result of the transfer of this liability, the risk balance amounting to TL 106.122 has been left out of the balance sheet and all legal and administrative permissions have been taken and the restructured risk balance as of December 31, 2018 has been started to be followed as financial assets at fair value through profit or loss in accordance with TFRS 9.

j.3) Information on foreign currency of non-performing loans and other receivables

None (December 31, 2017 – None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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 Other Receivables with Limited Collectibility	**Loans and Other Receivables with Doubtful Collectibility**	**Uncollectible Loans and Other Receivables**
Current Period (Net)	**693.340**	**393.061**	**590.690**
Loans to Real Persons and Legal Entities (Gross)	1.453.936	1.018.301	4.108.905
Provision (-)	760.596	625.240	3.518.215
Loans to Real Persons and Legal Entities (Net)	693.340	393.061	590.690
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	33.121
Provision (-)	-	-	33.121
Other Loans and Receivables (Net)	-	-	-
Prior 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)	-	-	-

(*) Included interest accruals and valuation differences.

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	**Loans and Other Receivables with Doubtful Collectibility**	**Uncollectible Loans and Other Receivables**
Current Period (Net)			
Interest accruals and valuation differences	154.002	126.042	35.215
Provision amount (-)	94.342	77.214	21.573

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 as well as 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 of such loans and receivables that are proven to be uncollectible in legal follow-up process.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7. Information on factoring receivables

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term	836.590	104.385	1.250.546	95.688
Medium and Long Term	32.029	-	34.768	-
Total	**868.619**	**104.385**	**1.285.314**	**95.688**

As of December 31, 2018 and December 31, 2017, changes in provision for non-performing factoring receivables are as follows:

	Current Period	Prior Period
Prior Period End Balance	41.794	20.825
Provided Provision / (Reversal) (Net)	33.906	14.186
Collections	(8.236)	(421)
Write-offs	-	-
Provision at the End of Period	**67.464**	**34.590**

8. Information on Financial Assets Measured at Amortized Cost

a.1) Information on financial assets measured at amortized cost subject to repurchase agreements and provided as Collateral/Blocked

	Current Period	
	TL	FC
Given as Collateral / Blocked	628.100	363.462
Subject to repurchase agreements	-	3.673.636
Total	**628.100**	**4.037.098**

a.2) Information on financial assets held to maturity subject to repurchase agreements and provided as Collateral/blocked

	Prior Period	
	TL	FC
Given as Collateral / Blocked	268.590	178.708
Subject to repurchase agreements	-	3.248.559
Total	**268.590**	**3.427.267**

b.1) Information on government debt securities measured at amortized cost

	Current Period	
	TL	FC
Government Bond	7.916.505	3.995.358
Treasury Bill	-	-
Other Public Sector Debt Securities	-	288.169
Total	**7.916.505**	**4.283.527**

b.2) Information on government debt securities held-to-maturity

	Prior Period	
	TL	FC
Government Bond	3.740.199	2.398.866
Treasury Bill	-	-
Other Public Sector Debt Securities	-	427.977
Total	**3.740.199**	**2.826.843**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

c.1) Information on investments securities measured at amortized cost

	Current Period	
	TL	**FC**
Debt Securities	**7.916.505**	**5.015.688**
Publicly-traded	7.916.505	5.015.688
Non-publicly traded	-	-
Provision for losses (-)	-	-
Total	**7.916.505**	**5.015.688**

c.2) Information on investment securities held-to-maturity

	Prior Period	
	TL	**FC**
Debt Securities	**3.740.199**	**3.428.465**
Publicly-traded	3.740.199	3.428.465
Non-publicly traded	-	-
Impairment (-)	**-**	**-**
Total	**3.740.199**	**3.428.465**

d.1) Movement of financial assets measured at amortized cost

	Current Period
Balance at the beginning of the period(*)	**8.946.170**
Exchange differences on monetary assets	1.333.014
Acquisitions during the year	2.201.072
Disposals through sales and redemptions	(837.723)
Impairment provision (-)	-
Valuation Effect	1.289.660
The sum of end of the period	**12.932.193**

(*) After the equity effect, the portfolio was revised and TL 1.777.506 transferred from financial assets measured at fair value through other comprehensive income to financial assets measured at amortized cost as a result of accounting policy change as of 01.01.2018.

As of December 31, 2018, a provision amounting to TL 37.077 is provided for the financial assets measured at amortized cost with TFRS 9 adoption.

d.2) Movement of investments held-to-maturity

	Prior Period
Balance at the beginning of the period	**5.900.507**
Exchange differences on monetary assets	225.503
Acquisitions during the year	829.915
Disposals through sales and redemptions	(140.075)
Provision for losses (-)	-
Valuation Effect	352.814
The sum of end of the period	**7.168.664**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9. Investments in associates (Net):

9.1. Information on unconsolidated 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
102.191	64.697	48.996	4.119	-	-	-	-

(*) Current year information is based on December 31, 2018 financials. Prior year profit and loss amounts are based on December 31, 2017 financials.

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	**2.216**	**-**
Acquisitions	-	-
Bonus Shares Received	2.216	-
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	**5.982**	**3.766**
Capital Commitments	**-**	**-**
Share Percentage at the end of the Period	**-**	**-**

9.3. Sectoral distribution and the related carrying amounts on associates

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	5.982	3.766
Total	**5.982**	**3.766**

9.4. Quoted Associates

None (December 31, 2017 - None).

9.5. Valuation of investments in associates

	Current Period	Prior Period
Valued at Cost	5.982	3.766
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	**5.982**	**3.766**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9.6. Investments in associates sold during the current period

None (December 31, 2017 - None).

9.7. 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	100,00	100,00

(*)	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Company's Fair Value
1.	39.438	16.056	23.054	-	-	(4.919)	2.808	-
2.	20.156	6.148	5.466	1.070	-	3.250	702	-

(*) A total of 2.940.000 shares with a nominal value of TL 2.940.000 corresponding to 49% of the paid-up capital of E-Finans Elektronik Ticaret ve Bilişim Hizmetleri AS has a total of TL 20.000.000-TL at a price of 6.80 TL for each share. Sibertek Danışmanlık Eğitim ve Yatırım A.Ş. was completed on 25.04.2018.

b) Information on the consolidated subsidiaries:

b.1) Information on the consolidated subsidiaries :

	Subsidiary	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	QNB Finans Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99,80	100,00
2.	QNB Finans Finansal Kiralama A.Ş.	Istanbul/Turkey	99,40	99,40
3.	Hemenal Finansman A.Ş.	Istanbul/Turkey	100,00	100,00
4.	QNB Finans Portföy Yönetimi A.Ş.	Istanbul/Turkey	0,03	100,00
5.	QNB Finans Faktoring A.Ş.	Istanbul/Turkey	99,99	100,00
6.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Istanbul/Turkey	0,00	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 (*)	Total Assets
1.	752.695	174.792	4.772	46.568	6.685	45.781	25.680	161.840
2.	5.914.404	805.777	5.995	497.060	-	82.447	93.966	777.308
3.	190.823	29.019	3.960	14.217	-	(20.773)	(4.367)	-
4.	11.257	9.790	303	1.888	-	(2.148)	(451)	-
5.	1.247.133	127.125	6.069	270.453	34	37.795	15.991	105.614
6.	219	200	-	-	-	-	-	-

(*) Fair values of publicly traded subsidiaries reflect their Borsa Istanbul (BIST) values as of the balance sheet date.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

b.2) Movement of investments in subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	**724.921**	**647.572**
Movements during the Period	**378.281**	**77.349**
Purchases(*)	15.000	30.000
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Difference	363.281	47.349
Impairment Provision	-	-
Balance at the End of the Period	**1.103.202**	**724.921**
Capital Commitments	**-**	**-**
Share Percentage at the end of the Period (%)	**-**	**-**

(*) At the current period, Finans Faktoring A.Ş. has raised its capital at an amount of TL 15.000. In the previous period, Hemenal Finansman A.Ş. has increased its capital at an amount of TL 30.000 through paid capital increase.

b.3) Sectoral distribution of the consolidated subsidiaries

	Current Period	Prior Period
Factoring Companies	105.614	93.350
Leasing Companies	777.308	445.809
Finance Companies	58.395	58.395
Other Subsidiaries	161.885	127.367
Total	**1.103.202**	**724.921**

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	777.308	445.809
Quoted on International Stock Exchanges	-	-
Total	**777.308**	**445.809**

b.5) Explanation to capital adequacy of the significant subsidiaries

None.

10. Investments in entities under common control:

	Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank' Risk Group Share (%)
1.	Cigna Finans Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	%49,00	%49,00
2.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	Istanbul/Turkey	%33,33	%33,33

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	1.372.589	184.645	16.850	-	-	103.384	61.759	148.673
2.	83.502	53.548	35.562	-	-	15.064	11.362	-

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

11. Information on finance lease receivables (Net):

12. Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.745.864	1.380.549	1.643.065	1.345.976
Between 1-4 years	3.558.033	3.017.466	2.876.082	2.460.214
Over 4 years	759.925	690.084	716.284	659.873
Total	**6.063.822**	**5.088.099**	**5.235.431**	**4.466.063**

Finance lease receivables include non-performing finance lease receivables amounting to TL 345.070 (December 31, 2017 – TL 164.253) and specific provisions amounting to TL 110.677 (December 31, 2017 – TL 97.562).

Changes in non-performing finance lease receivables provision as of December 31, 2018 and December 31, 2017, are as follows

	Current Period	Prior Period
End of the prior period	98.706	114.477
Provided provision / (reversal), Net	55.472	41.596
Collections	(5.140)	(8.359)
Written-off	(38.361)	(53.306)
Provision at the end of the period	**110.677**	**94.408**

12.1. Information on net investment on leases

	Current Period	Prior Period
Gross Finance Lease Investments	6.075.644	5.235.431
Unearned Finance Income (-)	987.545	769.368
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	**5.088.099**	**4.466.063**

12.2. 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.

13. Information on hedging purpose derivatives:

	Current Period(***)	
	TL	FC
Fair Value Hedge (*)	4.117.133	37.530
Cash Flow Hedge(**)	2.702.865	111.418
Net Investment Hedge	-	-
Total	**6.819.998**	**148.948**

	Prior Period	
	TL	FC
Fair Value Hedge (*)	1.964.761	28.732
Cash Flow Hedge(**)	910.958	33.675
Net Investment Hedge	-	-
Total	**2.875.719**	**62.407**

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2018, TL 31.027 (December 31, 2017 - TL 13.675) from securities, TL 2.049 (December 31, 2017 – TL 808) from funds borrowed, TL 4.454 (December 31, 2017- TL 14.249) from financial leasing, TL 4.117.133 (December 31, 2017 - TL 1.964.761) represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in loans. there is no fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in securities issued (December 31, 2017 – TL None).
(**) Represents the fair value of derivatives which are the hedging instruments of deposits and floating dividends' cash flow risk.
(***) At the current period, derivative financial assets for fair value hedge has shown at line 1.5.1. and derivative financial assets for cash flow hedge presented at line 1.5.2 in financial statements.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

14. Explanations on tangible assets:

	Land and Buildings	Fixed Assets under Finance Lease	Vehicles	Other Fixed Assets	Total
Prior Period End					
Cost	1.543.868	271.510	1.937	1.411.435	3.228.750
Accumulated Depreciation(-)	49.398	245.111	1.758	989.690	1.285.957
Net Book Value	**1.494.470**	**26.399**	**179**	**421.745**	**1.942.793**
Current Period End					
Cost at the Beginning of the Period	**1.543.868**	**271.510**	**1.937**	**1.411.435**	**3.228.750**
Additions (*)	877.212	20.583	2.086	164.617	1.064.498
Transfer(-)	-	-	-	-	-
Disposals (-)	530	-	197	15.657	16.384
Impairment (-)/ (increase)	(402)	-	-	-	(402)
Current Period Cost	**2.420.148**	**292.093**	**3.826**	**1.560.395**	**4.276.462**
Accumulated Depreciation at the Beginning of the Period	**49.398**	**245.111**	**1.758**	**989.690**	**1.285.957**
Disposals (-)	-	-	197	14.796	14.993
Transfer (-)	-	-	-	-	-
Depreciation amount	11.825	2.461	357	121.855	136.498
Accumulated Depreciation at the End of the Period (-)	**61.223**	**247.572**	**1.918**	**1.096.749**	**1.407.462**
Net Book Value at the End of the Period	**2.358.925**	**44.521**	**1.908**	**463.646**	**2.869.000**

(*)As mentioned in Section 5 footnote 5.1.d, the fair value currency difference income of 852.714 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 402 has been booked. (December 31, 2017 - TL 288 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 effecting the overall financial statements, and the reason and conditions for this:

None (December 31, 2017 - None).

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, 2017 - None).

15. Explanations on Intangible Assets:

	Rights	Goodwill	Total
Prior Period End			
Cost	1.008.105	-	1.008.105
Accumulated Amortization(-)	669.344	-	669.344
Net Book Value	**338.761**	**-**	**338.761**
Current Period End			
Cost at the Beginning of the Period	**1.008.105**	**-**	**1.008.105**
Costs related to acquisition of subsidiary	-	-	-
Additions	193.838	-	193.838
Disposals (-)	3	-	3
Value Decrease (-)/ (increase)	-	-	-
Current Period Cost	**1.201.940**	**-**	**1.201.940**
Acc. Amort. At the Beginning of the Period	**669.344**	**-**	**669.344**
Accrued amortization related to acquisition of subsidiary	-	-	-
Disposals(-)	40	-	40
Amortization charge	121.436	-	121.436
Current Period Accumulated Amortization (-)	**790.740**	**-**	**790.740**
Net Book Value-End of the Period	**411.200**	**-**	**411.200**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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, 2017 - None).

b) **Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:**

None (December 31, 2017 - 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, 2017 - 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, 2017 - None).

f) **Information on revalued intangible assets according to their types:**

None (31 December 2017 - 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 11.812 (December 31, 2017– TL 7.559).

h) **Positive or negative consolidation goodwill on entity basis:**

None (December 31, 2017 – None).

16. Explanations on investment property

None (December 31, 2017 - None).

17. Information on tax asset

As of December 31, 2018, the Parent Bank has deferred tax asset amounting to TL 618.081.

According to TAS 12, deferred tax assets and liabilities are netted off in the financial statements. As of December 31, 2018, the carrying amount of the assets and liabilities in the balance sheet and the tax basis determined in accordance with the tax legislation and deferred tax asset amounting to TL 1.552.065 calculated over the amounts to be taken into consideration in the calculation of financial profit / loss in the following periods and deferred tax liability amounting to TL 933.984 which are calculated over the amounts to be taken into consideration in the calculation of financial profit / loss in the following periods.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax assets amounting to TL 77.543 are netted under equity (December 31, 2017 – TL 18.606 deferred tax assets).

	Temporary Differences		**Deferred Tax Assets/(Liabilities)**	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Provision for Employee Rights	452.523	379.809	99.264	83.877
Difference Between the Book Value of Financial Assets and Tax Base	2.676.781	510.067	574.438	123.869
Other	4.004.908	871.924	878.363	189.024
Deferred Tax Assets			**1.552.065**	**396.770**
Difference Between the Book Value Financial	(258.548)	(234.253)	(56.846)	(847.422)
Fixed Assets and Tax Base	(3.287.163)	(997.362)	(716.346)	(229.135)
Difference Between the Book Value of Financial Assets and Tax Base	(732.184)	(630.430)	(160.792)	(134.070)
Other			**(933.984)**	**(410.627)**
Deferred Tax Liabilities			**618.081**	**(13.857)**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Current Period 01.01-31.12.2018	Prior Period 01.01-31.12.2017
Deferred Tax as of January 1 Asset/ (Liability) - (Net)	472.654	66.967
Deferred Tax (Loss) / Gain	105.061	6.271
Deferred Tax that is Realized Under Shareholder's Equity	40.366	(87.095)
Deferred Tax Asset/ (Liability) – Net	**618.081**	**(13.857)**

18. Information on assets held for sale and discontinued operations

As of December 31, 2018, the Parent Bank does not have any assets held for sale (December 31, 2017 - None).

19. Information on other assets:

19.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Collateral Given for Derivative Transactions	2.175.101	538.740
Assets Held for Resale (Net)	879.983	361.684
Other Prepaid Expenses	692.718	572.388
Miscellaneous Receivables	319.200	291.355
Cheques Receivables from Other Banks	714.694	72.281
Prepaid rent expenses	44.817	34.454
Prepaid Agency Commissions	15.608	12.460
Advances Given	7.522	3.847
Other	100.505	73.700
Total	**4.950.148**	**1.960.909**

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	
	TL	FC
Derivative Financial Assets	11.632.619	768.710
Loans	2.533.148	364.154
Securities Measured at Amortized Cost	942.576	69.946
Financial Assets Measured at Fair Value through Other Comprehensive Income	101.449	(331.209)
Central Bank	60.220	-
Leasing Receivables	16.800	24.567
Banks	279	-
Financial Assets Measured at Fair Value through Profit/Loss	339	(58)
Other Accruals	13.337	8.260
Total	**15.300.767**	**904.370**

	Prior Period	
	TL	FC
Derivative Financial Assets Held for Hedging	2.875.719	62.407
Trading Purpose Derivatives	2.258.281	245.861
Loans	1.030.162	297.163
Securities Measured at Amortized Cost	167.886	46.918
Financial Assets Measured at Fair Value through Other Comprehensive Income	54.368	29.369
Central Bank	36.002	-
Leasing Receivables	13.154	14.632
Banks	1.451	97
Trading Securities	2.563	36
Other Accruals	8.400	6.090
Total	**6.447.986**	**702.573**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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	**2.947.836**	**-**	**4.403.875**	**16.913.430**	**4.014.224**	**1.658.762**	**2.408.105**	**1.782**	**32.348.014**
Foreign Currency Deposits	**7.995.756**	**-**	**2.407.375**	**22.134.039**	**1.565.763**	**1.394.003**	**1.152.070**	**-**	**36.649.006**
Residents in Turkey	7.751.152	-	2.394.949	21.580.333	1.485.330	1.328.027	886.352	-	35.426.143
Residents Abroad	244.604	-	12.426	553.706	80.433	65.976	265.718	-	1.222.863
Public Sector Deposits	**313.443**	**-**	**472**	**5.062**	**346**	**-**	**148**	**-**	**319.471**
Commercial Deposits	**2.088.318**	**-**	**2.802.222**	**4.459.722**	**1.177.734**	**218.963**	**480.501**	**-**	**11.227.460**
Other Ins. Deposits	**50.543**	**-**	**39.436**	**597.919**	**27.309**	**18.487**	**8.473**	**-**	**742.167**
Precious Metal Deposits	**1.724.647**	**-**	**-**	**43.459**	**1.525**	**10.188**	**82.694**	**-**	**1.862.513**
Bank Deposits	**555.547**	**-**	**272.549**	**2.007.939**	**802.759**	**37.747**	**1.044**	**-**	**3.677.585**
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	21.317	-	194.667	-	-	6.187	-	-	222.171
Foreign Banks	45.049	-	77.882	2.007.939	802.759	31.560	1.044	-	2.966.233
Participation Banks	489.181	-	-	-	-	-	-	-	489.181
Other	-	-	-	-	-	-	-	-	-
Total	**15.676.090**	**-**	**9.925.929**	**46.161.570**	**7.589.660**	**3.338.150**	**4.133.035**	**1.782**	**86.826.216**

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	**2.841.194**	**-**	**2.664.643**	**16.185.117**	**1.001.997**	**391.611**	**1.178.780**	**2.367**	**24.265.709**
Foreign Currency 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**

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	14.252.095	12.342.514	17.151.063	11.921.850
Foreign Currency Savings Deposits	5.146.914	3.857.126	21.042.426	14.315.461
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**19.399.009**	**16.199.640**	**38.193.489**	**26.237.311**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

1.2. Savings deposits in Turkey are not covered under insurance in another country since 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	14.541	7.440
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	71.157	15.440
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2024.	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	**85.698**	**22.880**

2. Information on trading purpose derivatives:

a) Negative value of trading purpose derivatives

	Current Period(*)		Prior Period	
	TL	FC	TL	FC
Forwards	132.707	65.035	83.786	-
Swaps	5.163.588	225.206	1.787.821	175.993
Futures	-	2.596	-	103
Options	477	141.101	275	22.266
Other	-	-	-	-
Total	**5.296.772**	**433.938**	**1.871.882**	**198.362**

(*) Current period derivative financial liabilities for trading purposes are presented in line 7.1 in the financial statements.

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	710.513	981.566	813.435	459.170
Foreign Banks, Institutions and Funds	391.508	18.468.646	641.546	16.097.875
Total	**1.102.021**	**19.450.212**	**1.454.981**	**16.557.045**

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	612.112	3.700.582	812.291	5.770.207
Medium and Long-Term	489.909	15.749.630	642.690	10.786.838
Total	**1.102.021**	**19.450.212**	**1.454.981**	**16.557.045**

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, 2018, the Group's liabilities comprise; 53% deposits (December 31, 2017 – 51%), 13% funds borrowed (December 31, 2017– 14%), 7% issued bonds (December 31, 2017 – 8%) and 3% money market placements (December 31, 2017 – 5%).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	**237.136**	**-**	**1.852.178**	**-**
Financial institutions and organizations	72.397	-	1.790.023	-
Other institutions and organizations	155.425	-	15.494	-
Real persons	9.314	-	46.661	-
From foreign transactions	**1.349**	**4.622.546**	**6.724**	**4.631.256**
Financial institutions and organizations	-	4.622.546	-	4.631.256
Other institutions and organizations	1.349	-	6.724	-
Real persons	-	-	-	-
Total	**238.485**	**4.622.546**	**1.858.902**	**4.631.256**

Debts to Money market does not include debt balances to Takasbank Money Exchange amounted to TL 472.641 (December 31, 2017 - None.)

5. Information on securities issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	3.483.249	1.456.981	4.208.176	57.156
Asset backed securities(*)	436.650	-	-	-
Bills	164.275	6.308.922	195.169	5.937.524
Total	**4.084.174**	**7.765.903**	**4.403.345**	**5.994.680**

(*) The amount of the issuance of asset-backed securities issued by QNB Finans Finansal Kiralama amounting to TL 200.000 on February 14, 2018, TL 200.000 on May 28, 2018 and TL 36.650 on June 20, 2018. The maturity of these issues is February 12, 2020, May 27, 2020 and June 17, 2020 respectively.

As of December 31, 2018 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, 2017 – 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, 2017 – 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, 2017 – None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

8. Information on liabilities arising from hedging purpose derivatives

	Current Period(***)	
	TL	**FC**
Fair Value Hedge (*)	155.054	228.252
Cash Flow Hedge (**)	159.675	176.498
Net Investment Hedge	-	-
Total	**314.729**	**404.750**

	Prior Period	
	TL	**FC**
Fair Value Hedge (*)	16.615	204.528
Cash Flow Hedge (**)	280.204	34.727
Net Investment Hedge	-	-
Total	**296.819**	**239.255**

(*) Derivative financial instruments for hedging purposes include swaps. As of December 31, 2018, TL 181.259 (December 31, 2017 – TL 41.598) loan portfolio, TL 8.179 (December 31, 2017 – TL 4.056) issued bonds, TL 181.279 (December 31, 2017 –TL 168.798) the securities, and TL 12.589 (December 31, 2017 – TL 6.691) leasing transactions, represents the fair value of derivatives instruments which are the hedging instruments of fair value hedge.
(**) Represents the fair value of derivatives which are the hedging instruments of deposits and floating dividends' cash flow risk.
(***) At the current period, derivative financial liabilities for fair value hedge has shown at the line 7.1 in financial statements and derivative financial liabilities for cash flow hedge has shown at the line 7.2 in financial statements.

9. Information on provisions

9.1. Information on general provisions

	Current Period
Provisions for Off Balance Sheet Commitments(*)	140.969
Total	**140.969**

(*) As of December 31, 2018 provisions for non-cash loans in group III represented at line 9.5 in liabilities table with the adoption of TFRS 9.

	Prior Period
Provisions for Loans and Receivables in Group I	1.125.989
Provisions for Loans and Receivables in Group II	120.163
Provisions for Non - Cash Loans	91.845
Other	59.270
Total	**1.397.267**

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

(*) 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 50.116 (December 31, 2017 - TL 45.014).

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, 2018, TL 181.087 (December 31, 2017 - TL 182.089) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2018, the Group accrued TL 48.169 (December 31, 2017 - TL 46.042) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2018, TL 223.267 (December 31, 2017– TL 151.679) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9.4.1 Movement of employee termination benefits

	Current Period 01.01-31.12.2018	Prior Period 01.01-31.12.2017
As of January 1	182.090	144.405
Service cost	24.207	19.404
Interest Cost	20.755	15.957
Settlement / curtailment / termination loss	7.341	10.203
Actuarial differences	(19.691)	32.989
Paid during the period	(33.615)	(40.869)
Total	**181.087**	**182.089**

9.5. Information on other provisions

9.5.1 Information on provisions for possible risks

Apart from the information provided in 9.3, the other provisions are given below as follows:

	Current Period	Prior Period
Other Provision for Close Monitoring Loans Portfolio(*)	-	108.450
Provision for Promotion Expenses of Credit Cards	10.982	9.356
Other Provisions	221.587	153.086
Total	**232.569**	**270.892**

(*) Provisions for watch-list loan portfolio have recalculated and accounted under the loans and other receivables with the adoption of TFRS 9.

10. Explanations on Tax Liabilities

10.1 Information on current tax liability

10.1.1 Information on tax provision

As of December 31, 2018, the Group has current tax liability of TL 802.797 (December 31, 2017 - TL 475.297) and as of December 31, 2018, the Group has any prepaid tax (December 31, 2017 - TL 55.739).

The current tax liability and the prepaid taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of December 31, 2018, after the offsetting, the current tax liability amounting to TL 159.866 (December 31, 2017 – TL 419.559) is disclosed with current tax receivable TL 77.001 (December 31, 2017– TL 12.181)

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	159.866	419.559
Taxation on Securities Income	70.842	56.775
Taxation on Real Estates Income	2.349	1.953
Banking and Insurance Transaction Tax (BITT)	103.829	65.519
VAT Payable	6.008	154
Other	29.414	25.771
Total	**372.308**	**569.731**

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	10.156	21.365
Social Security Premiums - Employer Share	11.078	18.871
Pension Fund Fee and Provisions – Employee Share	14	11
Pension Fund Fee and Provisions – Employer Share	44	37
Unemployment Insurance - Employee Share	714	1.245
Unemployment Insurance - Employer Share	1.428	2.486
Other	35	34
Total	**23.469**	**44.049**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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.

According to TAS 12, deferred tax assets and liabilities are netted off in the financial statements. As of December 31, 2018, the Parent Bank has calculated a deferred tax asset amounting to TL 1.552.065, which is calculated on the basis of the book value of the assets and liabilities in the financial statements and the tax basis determined in accordance with the tax legislation and the amounts to be taken into consideration in the calculation of financial profit in the following periods. TL 933.984 of the deferred tax liability is netted off.

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 77.543 are netted under equity. (December 31, 2017 – TL 18.606 deferred tax assets).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Provision for Employee Rights	452.523	379.809	99.264	83.877
Difference Between the Book Value of Financial Assets and Tax Base	2.676.781	510.067	574.438	123.869
Other	4.004.908	871.924	878.363	189.024
Deferred Tax Assets			**1.552.065**	**396.770**
Difference Between the Book Value Financial Fixed Assets and Tax Base	(258.548)	(234.253)	(56.846)	(847.422)
Difference Between the Book Value of Financial Assets and Tax Base	(3.287.163)	(997.362)	(716.346)	(229.135)
Other	(732.184)	(630.430)	(160.792)	(134.070)
Deferred Tax Liabilities			**(933.984)**	**(410.627)**
Deferred Tax Assets/(Liabilities), Net			**618.081**	**(13.857)**

	Current Period 01.01-31.12.2018	Prior Period 01.01-31.12.2017
Deferred Tax as of January 1 Asset/ (Liability)- Net	472.654	66.967
Deferred Tax (Loss) / Gain	105.061	6.271
Deferred Tax that is Realized Under Shareholder's Equity	40.366	(87.095)
December 31 Deferred Tax Asset/ (Liability) - Net	**618.081**	**(13.857)**

11. Information on payables related to assets held for sale

None (December 31, 2017 - None).

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Instruments subject to common equity	**-**	**-**	**-**	**-**
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Insturments subject to tier 2 common equity	**-**	**4.816.098**	**-**	**3.510.837**
Subordinated Loans	-	4.816.098	-	3.510.837
Subordinated Debt Instruments	-	-	-	-
Total	**-**	**4.816.098**	**-**	**3.510.837**

On June 29, 2018, the subordinated loan of US $ 325 million was renewed as the current valuation 2028 in line with Basel III.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

13. Information on shareholder's equity

13.1. Paid-in capital

	Current Period	Prior Period
Common Stock	3.350.000	3.350.000
Preferred Stock	-	-

13.2. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital

Capital System	Paid-in Capital	Ceiling
Registered Capital System	3.350.000	12.000.000

13.3 Information on share capital increases and their sources; other information on any increase in capital shares during the current period.

None (December 31, 2017 – TL 200.000).

13.4 Information on share capital increases from revaluation funds

None (December 31, 2017 - None).

13.5 Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments

The 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, 2017 - None).

13.7 Information on the privileges given to stocks representing the capital

None (December 31, 2017 - None).

14. Common stock issue premiums, shares and equity instruments

	Current Period	Prior Period
Number of Stocks (Thousands)	33.500.000	33.500.000
Preferred Capital Stock	-	-
Common Stock Issue Premiums (*)	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	**80.775**	**(534.108)**	**(53.163)**	**(176.412)**
Valuation Differences	80.775	(534.108)	(53.163)	(176.412)
Foreign Exchange Rate Differences	-	-	-	-
Total	**80.775**	**(534.108)**	**(53.163)**	**(176.412)**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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	
	TL	FC
Derivative Financial Liabilities	5.451.826	662.190
Deposits	643.659	86.485
Funds Borrowed	34.733	182.567
Money Market Borrowings	173	23.636
Issued Securities	4.675	52.478
Other Accruals	147.980	149.556
Total	**6.283.046**	**1.156.912**

	Prior Period	
	TL	FC
Deposits	358.719	57.098
Derivative Financial Liabilities Held for Trading	1.871.882	198.362
Funds Borrowed	21.436	127.421
Money Market Borrowings	1.900	16.306
Derivative Financial Liabilities Held for Hedging	296.819	239.255
Issued Securities	4.269	45.746
Other Accruals	120.130	407
Total	**2.675.155**	**684.595**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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	22.362.300	17.115.833
Commitment For Use Guaranteed Credit Allocation	10.852.185	9.774.575
Payment Commitments for Cheques	2.181.264	2.754.045
Forward Asset Purchase Commitments	2.146.211	2.790.244
Other Irrevocable Commitments	1.188.454	1.056.395
Commitments for Promotions Related with Credit Cards and Banking Activities	29.958	45.880
Tax and Fund Liabilities due to Export Commitments	28.728	15.358
Total	**38.789.100**	**33.552.330**

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 50.116 (December 31, 2017 – TL 45.014) followed in the off-balance sheet accounts that are not indemnified and not liquidated yet.

1.3. Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Bank Loans	4.476.254	3.012.892
Other Letters of Guarantee	1.727.806	1.783.291
Total	**6.204.060**	**4.796.183**

1.4. Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Provisional Letters of Guarantee	679.218	920.541
Final Letters of Guarantee	7.374.286	6.387.607
Advance Letters of Guarantee	1.422.077	822.037
Letters of Guarantee Given to Customs Offices	407.385	457.444
Other Letters of Guarantee	7.602.220	5.931.237
Total	**17.485.186**	**14.518.866**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	**3.913.293**	**2.315.378**
Less Than or Equal to One Year with Original Maturity	1.305.237	681.540
More Than One Year with Original Maturity	2.608.056	1.633.838
Other Non-Cash Loans	**19.775.953**	**16.999.671**
Total	**23.689.246**	**19.315.049**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3. Information on risk concentration in sector terms in non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	**28.886**	**0,33**	**40.184**	**0,27**	**44.952**	**0,51**	**2.855**	**0,03**
Farming and Raising Livestock	28.886	0,33	22.864	0,15	40.054	0,45	-	-
Forestry	-	-	-	-	2.375	0,03	-	-
Fishing	-	-	17.320	0,12	2.523	0,03	2.855	0,03
Manufacturing	**2.318.397**	**26,51**	**7.534.257**	**50,42**	**1.261.085**	**14,27**	**4.430.301**	**42,29**
Mining and Quarrying	14.211	0,16	25.627	0,17	48.598	0,55	36.769	0,35
Production	2.156.385	24,66	6.766.518	45,28	990.927	11,21	3.888.686	37,12
Electricity, gas and water	147.801	1,69	742.112	4,97	221.560	2,51	504.846	4,82
Construction	**2.953.023**	**33,77**	**1.791.908**	**11,99**	**2.769.132**	**31,33**	**782.143**	**7,47**
Services	**2.718.719**	**31,09**	**5.483.620**	**36,69**	**4.095.605**	**46,33**	**2.555.222**	**24,39**
Wholesale and Retail Trade	932.803	10,67	1.252.602	8,38	2.475.606	28,01	954.016	9,11
Hotel, Food and Beverage Services	109.159	1,25	687.370	4,60	75.523	0,85	85.148	0,81
Transportation&Communication	307.762	3,52	1.087.830	7,28	193.455	2,19	280.352	2,67
Financial Institutions	1.031.711	11,80	1.619.277	10,84	773.612	8,75	838.847	8,01
Real Estate and Renting Services	-	-	236	-	8.232	0,09	611	0,01
Self Employment Services	96.221	1,10	24.265	0,16	274.603	3,11	36.769	0,35
Educational Services	5.832	0,07	6.028	0,04	6.262	0,07	-	-
Health and Social Services	235.231	2,68	806.012	5,39	288.312	3,26	359.479	3,43
Other	**725.792**	**8,30**	**94.460**	**0,63**	**668.642**	**7,56**	**2.705.112**	**25,82**
Total	**8.744.817**	**100,00**	**14.944.429**	**100,00**	**8.839.416**	**100,00**	**10.475.633**	**100,00**

4. Information on non-cash loans classified in first and second groups

Current Period (*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	8.565.050	8.715.903	163.828	40.405
Bill of Exchange and Acceptances	15.820	4.455.338	-	5.096
Letters of Credit	119	1.723.573	-	4.114
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**8.580.989**	**14.894.814**	**163.828**	**49.615**

(*) Does not include non-cash loans amounting to TL 50.116, for which specific provision is provided, but which are not indemnified and not liquidated yet.

Prior Period (*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	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 specific provision is provided, but which are not indemnified and not liquidated yet.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

5. Information related to derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**111.507.211**	**121.722.064**
Forward transactions (*)	9.245.005	13.453.085
Swap transactions	89.696.716	100.407.541
Futures transactions	237.014	209.931
Option transactions	12.328.476	7.651.507
Interest Related Derivative Transactions (II)	**41.650.654**	**20.280.668**
Forward rate transactions	0	-
Interest rate swap transactions	41.650.654	20.280.668
Interest option transactions	0	-
Futures interest transactions	0	-
Security option transactions	0	-
Other trading derivative transactions (III)	**815.440**	**628.716**
A. Total Trading Derivative Transactions (I+II+III)	**153.973.305**	**142.631.448**
Types of hedging transactions		
Fair value hedges	24.232.920	19.147.014
Cash flow hedges	41.249.602	35.382.276
Net investment hedges		-
B. Total Hedging Related Derivatives	**65.482.522**	**54.529.290**
Total Derivative Transactions (A+B)	**219.455.827**	**197.160.738**

(*) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

Breakdown of the Parent Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

Current Period	Forward Buy(**)	Forward Sell(**)	Swap Buy (*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
TL	1.586.501	1.358.560	17.160.920	33.366.298	2.341.028	3.164.010	-	-	-
USD	1.319.717	2.473.590	68.271.283	41.998.934	2.748.096	2.370.999	118.507	118.507	815.440
Euro	1.690.980	733.850	14.489.926	19.163.409	1.009.924	575.077	-	-	-
Other	34.998	46.809	2.354.769	24.353	31.116	88.226	-	-	-
Total	**4.632.196**	**4.612.809**	**102.276.898**	**94.552.994**	**6.130.164**	**6.198.312**	**118.507**	**118.507**	**815.440**

(*) This column also includes hedging purpose derivatives.
(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

Prior Period	Forward Buy(**)	Forward Sell(**)	Swap Buy (*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
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.

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 6.055.337 (December 31, 2017 – TL 4.757.337) were subject to hedge accounting by swaps with a nominal of TL 6.922.598 (December 31, 2017 – TL 4.973.074). On December 31, 2018 the net market valuation difference gain amounting to TL 1.576 due to the loss from the loans amounting to TL 173.133 (December 31, 2017 – TL 5.235 loss) and gain from swaps amounting to TL 171.750 (December 31, 2017 – TL 36.696 gain) gain is accounted for under "gain / (loss) from financial derivatives transactions" line in the accompanying financial statements.

As of balance sheet date fixed interest rate project finance loans amounting to TL 223.858 (December 31, 2017 – TL 188.632) have been subject to hedge accounting with swaps with a nominal amount of TL 210.304 (December 31, 2017 – TL 179.136). In 2018 TL 823 net fair valuation difference gain, net of TL 1.980 (December 31, 2017 – TL 2.014 loss) gain from loans and TL 1.158 (December 31, 2017 – TL 818 gain) loss from swaps has been recorded under "Gains / (loss) from financial derivatives transactions" on accompanying financial statements.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 51.313 (December 31, 2017 – TL 9.606) related to the loans that are ineffective for hedge accounting under "gain / (loss) from financial derivatives transactions" as loss during the current period.

b) Financial Assets Measured at Fair Value through Other Comprehensive Income

The 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 404,7 million and EUR 75,4 million (December 31, 2017 – USD 371,7 million and EUR 75,4 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2018, the net market valuation difference gain amounting to TL 12 due to loss from Eurobonds amounting to TL 6.814 (December 31, 2017 – TL 4.794 gain) and gain from swaps amounting to TL 6.826 (December 31, 2017 – TL 5.739 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, 2017 – 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 interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 283 million (December 31, 2017 – USD 283 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2018, TL 179 net fair valuation difference loss, net of TL 1.142 (December 31, 2017 – TL 6.669 gain) gain from issued bonds and TL 1.321 (December 31, 2017 – TL 6.402 loss) loss from swaps, has been recorded under "Gain / (loss) from financial derivatives transactions" on accompanying financial statements.

QNB 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 54.950 (December 31, 2017 – TL 343.140) have been subject to hedge accounting with the same amount of swaps. As of December 31, 2018, TL 8 (December 31, 2017 – TL 254 net fair value difference loss) net fair valuation difference gain, net of 109 (December 31, 2017 – TL 338 loss) loss from swaps, has been recorded under "Gain/ (loss) from financial derivatives transactions" on accompanying financial statements.

d) 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, 2017-EUR 30 million) is subjected to hedge accounting with a swap having the same amount. As of December 31, 2018, a net mark to market difference loss at an amount of TL 11 (December 31, 2017- TL 13 gain) sourcing from loss at an amount of TL 1.239 (December 31, 2017 – TL 521 gain) from aforementioned credit and gain at an amount of TL 1.228 (December 31, 2017 – TL 508 loss) from swaps is recognized under "Gain/Loss from Derivative Financial Transactions."

QNB 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 49.988 (December 31, 2017 – TL 149.988) is subjected to hedge accounting with a swap having same amount. A net mark to market difference loss at an amount of TL 495 (December 31, 2017 - TL 365 net mark to market difference loss) sourcing from gain at an amount of TL 467 (December 31, 2017 – TL 2.775 gain) from aforementioned credit and loss at an amount of TL 495 (December 31, 2017 – TL 3.140 loss) from swaps is 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 3 months, the 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 2.150.000 are subject to hedge accounting as hedging instruments (December 31, 2017 – TL 5.210.000). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 37.446 are accounted for under equity during the current period (December 31, 2017 – TL 106.616 gain). The amounts for the ineffective portion of revenues in the amount of TL 795 gain is associated with the income statement (December 31, 2017 – TL 676 gain).

As of the balance sheet date, swaps with a nominal amount of USD 2.519 (December 31, 2017 – USD 2.753 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 289 million (December 31, 2017 – EUR 319 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value gain before taxes amounting to TL 181.006 are accounted under equity during the current period (December 31, 2017 – TL 121.387 gain). The gain amounting to TL 1.302 (December 31, 2017 – TL 248 gain) 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 4.969 transferred amount from equity to income statement due to ineffectiveness or matured swaps (December 31, 2017 – TL 1.327 loss).

b) Subordinated Loans

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to USD 810 million are subject to hedge accounting as hedging instruments (December 31, 2017 – USD 260 million). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 6.909 are accounted for under equity during the current period (December 31, 2017- TL 11.673 gain). There is gain amount to TL 83 loss related to the ineffective portion.

As of December 31, 2018, the above mentioned cash flow hedge transactions were effective.

c) Funds Borrowed

Subsidiary QNB 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 442.239 (December 31, 2017 – TL 48.227) are subject to risk protection accounting as a hedge of risk. As a result of the related hedge accounting, fair value loss of TL 753 (December 31, 2017 – 58 loss) before tax is recognized under equity in the current period. The income amounting to TL 7.293 for the ineffective portion is associated with the income statement (December 31, 2017- 2 loss).

The measurements as of December 31, 2018, hedge of cash flow transactions stated above are determined as effective.

6. Credit derivatives and risk exposures on credit derivatives

As of December 31, 2018, the Bank has no commitments "Credit Linked Notes" (As of December 31, 2017 - None).

As of December 31, 2018, "Other Derivative Financial Instruments" with nominal amount of USD 155.000.000 (December 31, 2017: USD 165.000.000) are included in Bank's "Swap Interest Sell Transactions." In aforementioned transaction, The Bank is the seller of the protection for USD 155.000.000.

7. Information on contingent liabilities and assets

The Parent Bank has recorded a provision of TL 117.185 (December 31, 2017 - TL 44.781) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account (Section Five, part II.9.5). Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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.

9. Information on the Parent Bank's rating by international rating institutions

MOODY'S December 2018		FITCH December 2018		CI December 2018	
Long-Term Deposit Rating (FC)	B2	Long -Term Foreign Currency	BB-	Long-Term Foreign Currency	BB-
Long-Term Deposit Rating (TL)	Ba3	Short-Term Foreign Currency	B	Short-Term Foreign Currency	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	BB	FC Appearance	Negative
Short-Term Deposit Rating (TL)	NP	Short-Term TL	B	Financial Strength Rating	BB+
Main Credit Evaluation	b2	Long-Term National	AA(tur)	Financial Strength Appearance	Negative
Adjusted Main Credit Evaluation	ba3	Appearance	Negative	Support	2
Appearance	Negative	Long-Term Foreign Currency Borrowing	BBB-		
Long-term Foreign Currency Borrowings	Ba3	Support	3		
		Financial Capacity Rating	bb+		

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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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	5.360.978	115.446	3.430.512	61.137
Medium and Long-Term Loans	6.383.610	1.443.979	4.983.431	754.036
Non-Performing Loans	101.211	-	83.175	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total(*)	**11.845.799**	**1.559.425**	**8.497.118**	**815.173**

(*)Includes fees and commissions income from cash loans.

b) Information on interest income from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank (*)	-	-	-	1
Domestic Banks	157.670	595	186.465	444
Foreign Banks	3.147	40.231	2.169	12.959
Foreign Headquarters and Branches	-	-	-	-
Total	**160.817**	**40.826**	**188.634**	**13.404**

(*) The interest income on Required Reserve amounting TL 200.684 excluded from interest income on Banks. (December 31, 2017: TL 113.120).

c) Information on interest income from securities portfolio

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss	1.829	423
Financial Assets Measured at Fair Value through Other Comprehensive Income	643.642	177.000
Financial Assets Measured at Amortized Cost	1.474.184	254.652
Total	**2.119.655**	**432.075**

	Prior Period	
	TL	FC
Held-for-Trading Financial Assets	4.848	496
Financial Assets at FVTPL	1.854	44
Investment Securities Available for Sale	470.587	147.203
Investment Securities Held to Maturity	454.891	161.388
Total	**932.180**	**309.131**

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary. The estimated inflation rate used in the valuation of these securities has been updated and updated according to the inflation rate of 25.24% as of December 31, 2018.

d) Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest income received from associates and subsidiaries	33.374	-

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

2. a) Information on interest expense related to funds borrowed(*):

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	**249.187**	**1.090.536**	**149.330**	**622.566**
T.R. Central Bank	-	-	-	-
Domestic Banks	184.113	28.677	86.414	14.676
Foreign Banks	65.074	1.061.859	62.916	607.890
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	**249.187**	**1.090.536**	**149.330**	**622.566**

(*) Includes fees and commissions expenses related to the cash loans.

b) Information on interest expense paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	34.885	61.609

c) Information on interest expense paid to securities issued:

As of December 31, 2018 the amount paid to securities issued is TL 1.047.798 (December 31, 2017 – TL 544.570).

d) Information on maturity structure of interest expenses on deposits:

Current Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	39.264	382	839	1.677	-	-	42.162
Saving Deposits	3	528.352	2.984.296	233.837	109.986	188.609	-	4.045.083
Public Sector Deposits	-	493	1.687	113	15	13	-	2.321
Commercial Deposits	156	476.465	542.771	61.017	57.086	91.675	-	1.229.170
Other Deposits	-	7.084	47.884	3.449	2.394	341	-	61.152
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**159**	**1.051.658**	**3.577.020**	**299.255**	**171.158**	**280.638**	**-**	**5.379.888**
Foreign Currency								
Deposits	3	53.044	812.914	51.152	52.114	27.161	-	996.388
Bank Deposits	326	71.865	20.545	970	515	-	-	94.221
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1.635	-	-	-	-	-	1.635
Total	**329**	**126.544**	**833.459**	**52.122**	**52.629**	**27.161**	**-**	**1.092.244**
Grand Total	**488**	**1.178.202**	**4.410.479**	**351.377**	**223.787**	**307.799**	**-**	**6.472.132**

Prior Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
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**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

e) Information on interest expenses on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Repurchase Agreements (*)	209.187	145.294	80.478	75.553

(*) Disclosed in "Interest on Money Market Transactions".

f) Information on finance lease expenses

None (December 31, 2017 – None).

g) Information on interest expenses on factoring payables

None (December 31, 2017 – None).

3. Information on dividend income:

	Current Period	Prior Period
Derivative Financial Assets at Fair Value Through Profit or Loss	966	308
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Other	4.750	1.146
Total	**5.716**	**1.454**

4. Information on trading income/loss

	Current Period	Prior Period
Trading Gain	**23.220.180**	**10.131.268**
Trading account gain	66.460	40.460
Gain from derivative transactions	12.726.166	5.918.663
Foreign exchange gain/losses	10.427.554	4.172.145
Trading Loss (-)	**24.442.347**	**11.273.756**
Losses on Capital Market Operations	49.236	31.153
Derivative Financial Instruments	12.023.619	7.097.033
Foreign Exchange Losses	12.369.492	4.145.570
Net Trading Income/Loss	**(1.222.167)**	**(1.142.488)**

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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

6. Provision for losses on loans and other receivables

	Current Period
Expected Credit Losses Provisions	**2.158.806**
12 Month Expected Credit Loss (Stage I)	52.832
Significant Increase in Credit Risk (Stage 2)	675.373
Lifetime ECL Impaired Credits (Stage 3)	1.430.601
Marketable Securities Impairment Provision	**8.369**
Financial Assets Measured at Fair Value Through Profit/Loss	-
Financial Assets Measured at Other Comprehensive Income	8.369
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	**-**
Investment in Associates	-
Subsidiaires	-
Joint Ventures	-
Other	**64.121**
Total	**2.231.296**

	Prior Period
Specific Provisions For Loans and Other Receivables	**1.094.464**
Loans and Receivables in Group III	349.076
Loans and Receivables in Group IV	197.116
Loans and Receivables in Group V	548.272
Other Provisions for Closely Monitored Loans	**68.549**
General Provisions	**108.870**
Provision for Free Reserves on Possible Losses	**-**
Impairment Losses on Securities	**-**
Financial assets at fair value through profit or loss	-
Investment Securities available for sale	-
Impairment Losses on Associates, Subsidiaries and	
Investment Securities Held-to-Maturity	**-**
Associates	-
Subsidiaries	-
Entities under common control	-
Investment securities held-to-maturity	-
Other	**(2.891)**
Total	**1.268.992**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7. Information on other operating expenses

	Current Period	Prior Period
Personnel expenses(*)	1.502.533	1.340.693
Reserve for employee termination benefits(*)	18.693	4.695
Bank social aid fund deficit provision	-	-
Impairment expenses on tangible fixed asset	402	-
Depreciation expenses on intangible fixed asset	136.498	141.206
Impairment expenses on intangible fixed asset	-	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible asset	121.436	114.509
Impairment expenses of equity participation for which equity method is applied	-	-
Impairment expenses of assets held for resale	-	-
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale	-	-
Other Operating Expenses	1.210.634	1.105.799
Operational Leasing expenses	*237.759*	*221.551*
Maintenance expenses	*186.095*	*150.123*
Advertiesment expenses	*94.868*	*94.197*
Other expenses	*691.912*	*639.928*
Loss on sales of assets	138	376
Other (**)	540.692	418.492
Total	**3.531.026**	**3.125.770**

(*) "Personnel Expenses", which is not included in "Other Operating Expenses" in the income statement as a separate item, is also included this table.
(**) Comprising repayments amounting to TL 8.915 (December 31, 2017 – TL 20.879) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income.

8. Information on profit/loss from continued and discontinued operations before taxes

For the period ended December 31, 2018, net interest income of TL 7.877.781 (December 31, 2017 – TL 5.815.647), net fees and commission income of TL 2.252.137 (December 31, 2017 – TL 1.782.588) and other operating income of TL 75.007 (December 31, 2017 – TL 140.407) 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, 2018, the Group recorded current tax charge of TL 802.797 (December 31, 2017 - TL 475.297 current tax charge) and a deferred tax charge of TL 105.061 (December 31, 2017 – TL 6.271 deferred tax loss).

	Current Period	Prior Period
Current Tax Provision	(802.797)	(475.297)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/Expense	105.061	6.271
Total	**(697.736)**	**(469.026)**

9.2. Explanations on operating profit/loss after taxes

None (December 31, 2017 – None).

10. Explanations on net profit/ (loss) from continued and discontinued operations:

Net profit of the Group from continued operations is TL 2.573.205 (December 31, 2017 – TL 1.772.351)

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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, 2017 – 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	497	565

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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

V. EXPLANATIONS AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

1. Changes resulting from valuation of fair value through profit or loss

Net increase of TL 223.758 (December 31, 2017 – TL 190.578 net decrease) after tax effect resulting from fair value through profit or loss 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 2017 profit as stated below at the Ordinary General Assembly held on March 29, 2018

2017 profit distribution table:

Current Year Profit	1.603.441
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(80.172)
B - The First Dividend for Shareholders(*)	(100.000)
C – Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(1.423.269)

(*) 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, 2017- Profit distribution for 2017 is detailed in footnote 3.1).

3.3 Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained Earnings	84.457	62.637

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, 2017- None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

There was no capital increase in 2018.Capital increase amounting to TL 200.00 presented in the Statement of Changes in Shareholder's Equity in 2017 entirely provided from extraordinary reserves.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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 3.187.788 (December 31, 2017- TL 1.284.938) in "Operating profit before changes in operating assets and liabilities" consist of decrease in commissions paid amounting to TL 397.649 (December 31, 2017 – TL 275.989), net trading income/loss decrease in amounting to TL 732.114 (December 31, 2017 – TL 16.137 net trading income/loss) and other operating expenses amounting to TL 2.058.025 (December 31, 2017 – TL 1.025.086).

"Other items" in changes in operating assets amounting to TL 3.610.949 (December 31, 2017 – TL 2.744.136) consist of the decrease in collaterals given amounting to TL 1.769.189 (December 31, 2017 - TL 104.230 increase), the increase in lease receivables amounting to TL 4.294.594 (December 31, 2017 – TL 1.816.380 decrease), the increase in factoring receivables amounting to TL 1.339.014 (December 31, 2017 – TL 630.032 decrease) and the decrease in other assets amounting to TL 7.475.368 (December 31, 2017 - TL 401.954 increase).

"Other items" in changes in operating liabilities amounting to TL 3.100.740 (December 31, 2017 - TL 54.667) consist of the decrease in money market borrowings by TL 1.671.698 (December 31, 2017 - TL 371.720 increase) and the decrease in sundry debtors and other liabilities by TL 4.772.438 (December 31, 2017 - TL 317.053 increase).

"Other items" in changes in net cash provided from banking operations amounting to TL 193.874 (December 31, 2017 – TL 165.044) includes the increase in intangible assets by TL 121.436 (December 31, 2017 – TL 114.509 increase).

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 39.314 (December 31, 2017 – TL 157.301) as of December 31, 2018.

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	December 31, 2017
Cash	**1.012.047**
Cash in TL	644.333
Cash in Foreign Currencies	340.629
Other	27.085
Cash Equivalents	**5.075.324**
Balances with the T.R. Central Bank	3.700.772
Banks and Other Financial Institutions	1.178.431
Money Market Placements	241.859
Less: Placements with Banks with Maturities Longer than 3 Months	(37.550)
Less: Accruals	(8.188)
Cash and Cash Equivalents	**6.087.371**

3. Information regarding the balances of cash and cash equivalents at the end of the period

	December 31, 2018
Cash	**1.705.412**
Cash in TL	787.020
Cash in Foreign Currencies	849.141
Other	69.251
Cash Equivalents	**7.479.040**
Balances with the T.R. Central Bank	5.986.379
Banks and Other Financial Institutions	1.043.528
Money Market Placements	509.711
Less: Placements with Banks with Maturities Longer than 3 Months	(60.499)
Less: Accruals	(79)
Cash and Cash Equivalents	**9.184.452**

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 198.524 (December 31, 2017- TL 121.343) 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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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, 2018, the Parent Bank's risk group has deposits amounting to TL 445.875 (December 31, 2016 – TL 640.640), cash loans amounting to TL 4.408 (December 31, 2017 – 146) and non-cash loans amounting to TL 18.893 (December 31, 2017- TL 12.254).

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	-	10.384	613	-	146	1.870
Balance at the End of the Period	2.557	16.087	1.755	-	96	2.806
Interest and Commission Income	-	163	-	37	32	44

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	-	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

[(*)] As described in the Article 49 of Banking Law No 5411.

[(**)] Represents the balances of December 31, 2017.

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	470.334	15.700	-	-	170.306	179.718
Balance at the End of the Period	286.806	470.334	-	-	159.069	170.306
Interest on deposits[(**)]	34.885	61.609	-	-	21.187	15.903

[(*)] As described in the Article 49 of Banking Law No 5411.

(**) Previous period's balances represent December 31, 2017 balances.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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	-	-	1.046	-		-
End of the Period	-	-	-	1.046	-	-
Total Income/Loss (**)	-	-	15	(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 December 31, 2017 balances.

1.4. Information on benefits provided for top management

As of December 31, 2018, the total amount of remuneration and bonuses paid to top management of the Group is TL 102.819 (December 31, 2017- TL 94.806).

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, 2018, the rate of cash loans of the risk group divided by to total loans is 0%; (December 31, 2017 – 0%); the deposits represented 0,5% (December 31, 2017 – 0,9%) The ratio of total derivative transactions with derivatives is 0%. (December 31, 2017 – 0%)

2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts

The Parent Bank enters into finance lease agreements with QNB 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.

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	Country	Total Assets	Capital
Domestic Branch	541	13.458			
Foreign Representation	-	-	-		
Foreign Branch	1	8	1- Bahreyn	21.229.746	-
Off-shore Banking and Region Branches	-	-	-	-	-

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 parent bank has a 47-Day discount bond with 23.05% interest rate TL 64.870 on January 3, 2018, a 77-day discount bond with 23.0% interest rate TL 117.860 on January 4, 2018, a 46-day discount bond with 21.91% interest rate TL 107.900 on January 11, 2018, A 86-Day discount bond with 24.8% interest rate TL 101.000 on January 11, 2018, 84-Day discount bond, January 18, 2018 %Bond with a maturity of 175 days with a nominal value of TL 220.750 with an interest rate of 23.10, On January 25, 2018, discount bonds with a nominal value of TL 21.20% interest rate of TL 4.400, on January 23, 2018, discount bonds with a nominal value of TL 34.000% interest rate of TL 20.87%, on January 25, 2018, discount bonds with a nominal value of TL 130.730 interest rate of 21.70%, on January 30, 2018, Euro 20.000 interest rate of 0.90%, on January 31, 2018, discount bond, on February 1, 2018 with 21.41% interest, discounted bond with a nominal value of TL 103.226, On February 1, 2018, a discount bond with an interest rate of 21.70% was issued with a nominal value of TL 122.220.

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**

None.

SECTION SEVEN

EXPLANATION ON AUDITOR'S REPORT

I. Explanations on Independent Audit Report

The consolidated financial statements for the year ended December 31, 2018 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 4, 2019 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2017 – None).

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