QNB FİNANSBANK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT, CONSOLIDATED FINANCIAL STATEMENTS, NOTES AND CONSOLIDATED INTERIM ACTIVITY REPORT FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2018

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

INTERIM REVIEW REPORT ON CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors of QNB Finansbank Anonim Şirketi

Introduction

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

Scope of Review

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

Conclusion

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

Report on other regulatory requirements arising from legislation

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

Additional paragraph for convenience translation to English:

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

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

Damla Harman
SMMM, Partner

July 27, 2018
Istanbul, Turkey

THE CONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 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 six month period ended June 30, 2018, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE 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 INTERIM FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
- INTERIM CONSOLIDATED ACTIVITY REPORT

Within the context of this financial report, 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

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 accompanying consolidated interim financial statements and related disclosures and footnotes for the six month period then ended June 30, 2018, are prepared and independently limited reviewed in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying consolidated interim 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	1
II.	Information about the Parent 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 Parent Bank	1
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	2
IV.	Information about the persons and institutions that have qualified shares on the Parent Bank	2
V.	Explanations on the Parent Bank's services and activities	2
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	3
VII.	Current or likely actual or legal barriers to immediate transfer of shareholder's equity or repayment of debts between the parent bank and its subsidiaries	3

SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS

I.	Consolidated balance sheet (statement of financial position)	4
II.	Consolidated statements of off-balance sheet commitments and contingencies	8
III.	Consolidated income statement (statement of income / loss)	10
IV.	Consolidated statement of profit and loss accounted for under equity (statement of other comprehensive income / loss)	12
V.	Consolidated statement of changes in shareholders' equity	13
VI.	Consolidated cash flow statement	15

SECTION THREE
ACCOUNTING POLICIES

I.	Basis of presentation	17
II.	Strategy for the use of financial instruments and the foreign currency transactions	18
III.	Information on associates, subsidiaries and entities under common control	19
IV.	Explanations on derivative financial assets and liabilities	20
V.	Explanations on interest income and expenses	22
VI.	Explanations on fees and commission income and expenses	22
VII.	Explanations and disclosures on financial instruments	22
VIII.	Explanations on expected credit losses	25
IX.	Explanations on netting of financial instruments	27
X	Derecognition of financial instruments	27
XI	Explanations on sales and repurchase agreements and lending of securities	27
XII.	Explanations on assets held for sale and discontinued operations	28
XIII.	Explanations on goodwill and other intangible assets	28
XIV.	Explanations on tangible assets	28
XV.	Explanations on leasing transactions	29
XVI.	Explanations on factoring receivables	29
XVII	Explanations on provisions and contingent liabilities	29
XVIII.	Explanations on obligations of the Group concerning employee benefits	29
XIX.	Explanations on taxation	30
XX	Additional explanations on borrowings	31
XXI.	Explanation on share issues	31
XXII.	Explanation on confirmed bills of exchange and acceptances	31
XXIII.	Explanations on government incentives	31
XXIV.	Explanations on segment reporting	31
XXV.	Profit reserves and profit distribution	33
XXVI.	Earnings per share	33
XXVII.	Explanations on other matters	33
XXVIII	Explanations on prior period accounting policies not valid for the current period	36

SECTION FOUR
INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I.	Explanations on consolidated equity	39
II.	Explanations on risk management	48
III.	Explanations on consolidated foreign exchange risk	55
IV.	Explanations on consolidated interest rate risk	57
V.	Explanations on consolidated position risk of equity securities in banking book	60
VI.	Explanations on consolidated liquidity risk management and liquidity coverage ratio	61
VII.	Explanations on consolidated leverage ratio	66

SECTION FIVE
EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I.	Explanations and disclosures related to consolidated assets	68
II.	Explanations and disclosures related to consolidated liabilities	85
III.	Explanations and disclosures related to consolidated off-balance sheet items	93
IV.	Explanations and disclosures related to consolidated income statement	100
V.	Explanations and disclosures related to consolidated change in shareholders' equity	105
VI.	Explanations and disclosures related to consolidated change in shareholders' equity	105
VII.	Explanations and disclosures related to Parent bank's risk group	106
VIII.	Other explanations related to the Group's operations	108

SECTION SIX
EXPLANATIONS ON INDEPENDENT AUDITOR'S LIMITED REPORT

I.	Explanations on the independent limited review report	109
II.	Explanations and notes prepared by independent auditor's	109

SECTION SEVEN
CONSOLIDATED INTERIM ACTIVITY REPORT

I.	Interim consolidated activity report that includes the Assessment of the Chairman of the Board of Directors and General Manager of Operations	110

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 June 30, 2018 and remaining 0,12% of related shares are public shares.

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

(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 23, 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.Alkhalifa	Board Member	June 23, 2016	Graduate
Assistant Prof. Osman Reha Yolalan	Board Member	June 21, 2016	Phd
Ali Rashid A.S.Al-Mohannadi	Board Member	June 16, 2016	Graduate
Noor Mohd J. A. Al-Naimi	Board Member and 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	Graduate
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
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 June 30, 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 June 30, 2018, the Group has 12.488 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 Statement of Off-Balance Sheet Commitments and Contingencies
III. Consolidated Income Statement (Statement of Income / Loss)
IV. Consolidated Statement of Profit and Loss Accounted for Under Equity (Statement of Other Comprehensive Income and Loss)
V. Consolidated Statement of Changes in Shareholders' Equity
VI. Consolidated Cash Flows Statement

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

I. CONSOLIDATED BALANCE SHEET – ASSETS

				Reviewed 30.06.2018	
		Section 5 Part I	TL	FC	TOTAL
I.	**FINANCIAL ASSETS (Net)**		**25.238.568**	**25.553.369**	**50.791.937**
1.1	**Cash and Cash Equivalents**		**3.690.750**	**17.331.213**	**21.021.963**
1.1.1	Cash and Balances with The Central Bank	(1)	3.012.074	16.718.545	19.730.619
1.1.2	Banks	(3)	34.687	612.668	647.355
1.1.3	Receivables From Money Market	(4)	643.989	-	643.989
1.2	**Financial Assets Measured at Fair Value through Profit/Loss**	**(2)**	**61.950**	**5.259**	**67.209**
1.2.1	Public Sector Debt Securities		29.709	5.259	34.968
1.2.2	Equity Securities		-	-	-
1.2.3	Other Financial Assets		32.241	-	32.241
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income**	**(5)**	**4.043.640**	**3.356.536**	**7.400.176**
1.3.1	Public Sector Debt Securities		4.037.211	3.238.300	7.275.511
1.3.2	Equity Securities		4.774	99.593	104.367
1.3.3	Other Financial Assets		1.655	18.643	20.298
1.4	**Financial Assets Measured at Amortized Cost**	**(8)**	**6.213.678**	**4.251.081**	**10.464.759**
1.4.1	Public Sector Debt Securities		6.213.678	3.522.830	9.736.508
1.4.2	Other Financial Assets		-	728.251	728.251
1.5	**Derivative Financial Assets**	**(13)**	**11.276.216**	**609.280**	**11.885.496**
1.5.1	Derivative Financial Assets at Fair Value Through Profit/Loss		8.822.341	442.776	9.265.117
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		2.453.875	166.504	2.620.379
1.6	**Non Performing Financial Assets**		**-**	**-**	**-**
1.7	**Expected Credit Losses (-)**		**47.666**	**-**	**47.666**
II.	**LOANS (Net)**	**(6)**	**69.721.943**	**28.877.833**	**98.599.776**
2.1	**Loans**		**67.895.264**	**24.866.017**	**92.761.281**
2.1.1	Loans Measured at Amortized Cost		67.895.264	24.866.017	92.761.281
2.1.2	Loans Measured at Fair Value Through Profit/Loss		-	-	-
2.1.3	Loans Measured at Fair Value Through Other Comprehensive Income		-	-	-
2.2	**Lease Receivables**	**(12)**	**1.608.806**	**3.889.219**	**5.498.025**
2.2.1	Financial Lease Receivables		2.123.527	4.403.404	6.526.931
2.2.2	Operational Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		514.721	514.185	1.028.906
2.3	**Factoring Receivables**	**(7)**	**1.447.160**	**71.223**	**1.518.383**
2.3.1	Factoring Receivables Measured at Amortized Cost		1.447.160	71.223	1.518.383
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**		**4.922.514**	**142.836**	**5.065.350**
2.5	**Expected Credit Losses (-)**		**6.151.801**	**91.462**	**6.243.263**
2.5.1	12-Month Expected Loss Provision (Stage 1)		913.982	5.141	919.123
2.5.2	Significant Increase in Credit Risk (Stage 2)		1.365.431	13.593	1.379.024
2.5.3	Default (Stage 3)		3.872.388	72.728	3.945.116
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	**(16)**	**-**	**-**	**-**
3.1	Held for sale		-	-	-
3.2	Discontinued Operations		-	-	-
IV.	**INVESTMENTS (Net)**		**164.522**	**-**	**164.522**
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)**	**(10)**	**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)**	**(11)**	**120.486**	**-**	**120.486**
4.3.1	Equity method associates		117.686	-	117.686
4.3.2	Unconsolidated		2.800	-	2.800
V.	**TANGIBLE ASSETS (Net)**		**2.234.525**	**57**	**2.234.582**
VI.	**INTANGIBLE ASSETS (Net)**		**352.733**	**-**	**352.733**
6.1	Goodwill		-	-	-
6.2	Others		352.733	-	352.733
VII.	**INVESTMENT PROPERTIES (Net)**	**(14)**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**	**(15)**	**13.459**	**-**	**13.459**
IX.	**DEFERRED TAX ASSET**	**(15)**	**565.852**	**-**	**565.852**
X.	**OTHER ASSETS**	**(17)**	**1.832.837**	**1.076.976**	**2.909.813**
	TOTAL ASSETS		**100.124.439**	**55.508.235**	**155.632.674**

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 seperately.

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF BALANCE SHEET
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2018

(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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF BALANCE SHEET
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2018

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

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

				Reviewed 30.06.2018	
		Section 5 Part II	TL	FC	TOTAL
I.	**DEPOSITS**	**(1)**	**37.259.807**	**40.837.937**	**78.097.744**
II.	**FUNDS BORROWED**	**(3)**	**1.811.777**	**21.482.332**	**23.294.109**
III.	**MONEY MARKET BORROWINGS**	**(4)**	**1.802.089**	**5.329.869**	**7.131.958**
IV.	**SECURITIES ISSUED (NET)**	**(5)**	**4.817.395**	**6.829.910**	**11.647.305**
4.1	Bills		4.061.894	-	4.061.894
4.2	Asset Backed Securities		436.650	-	436.650
4.3	Bonds		318.851	6.829.910	7.148.761
V.	**FUNDS**		**-**	**-**	**-**
5.1	Borrowers' Funds		-	-	-
5.2	Others		-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS (NET)**		**-**	**-**	**-**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**5.190.324**	**829.674**	**6.019.998**
7.1	Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net)	(2)	5.153.663	756.697	5.910.360
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	36.661	72.977	109.638
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)**	**820.150**	**-**	**820.150**
10.1	Restructuring Provisions		-	-	-
10.2	Reserve for Employee Benefits		360.494	-	360.494
10.3	Insurance Technical Provisions (Net)		-	-	-
10.4	Other Provisions		459.656	-	459.656
XI.	**CURRENT TAX LIABILITY**	**(10)**	**613.437**	**-**	**613.437**
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)**	**-**	**4.214.233**	**4.214.233**
14.1	Subordinated Loans		-	4.214.233	4.214.233
14.2	Other Debt Instruments		-	-	-
XV.	**OTHER LIABILITIES**		**3.611.309**	**6.693.115**	**10.304.424**
XVI.	**SHAREHOLDERS' EQUITY**		**13.818.694**	**(329.378)**	**13.489.316**
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		(67.185)	39.160	(28.025)
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		510.681	(368.538)	142.143
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		1.236.705	-	1.236.705
16.6.1	Prior Periods' Profit/Loss		-	-	-
16.6.2	Current Period's Net Profit/Loss		1.236.705	-	1.236.705
16.7	Minority Interest		6.709	-	6.709
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**69.744.982**	**85.887.692**	**155.632.674**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF BALANCE SHEET
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2018
(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**

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QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OFF BALANCE SHEET
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

				Reviewed 30.06.2018	
		Section 5 Part III	TL	FC	TOTAL
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**156.343.957**	**177.093.621**	**333.437.578**
I.	**GUARANTEES**	**(1),(2),(3),(4)**	**9.715.496**	**13.928.241**	**23.643.737**
1.1.	Letters of guarantee		9.708.493	7.859.830	17.568.323
1.1.1.	Guarantees subject to State Tender Law		439.200	35.974	475.174
1.1.2.	Guarantees given for foreign trade operations		4.781.737	7.823.856	12.605.593
1.1.3.	Other letters of guarantee		4.487.556	-	4.487.556
1.2.	Bank loans		6.967	4.080.923	4.087.890
1.2.1.	Import letter of acceptance		6.967	4.080.923	4.087.890
1.2.2.	Other bank acceptances		-	-	-
1.3.	Letters of credit		36	1.987.488	1.987.524
1.3.1.	Documentary letters of credit		36	1.866.097	1.866.133
1.3.2.	Other letters of credit		-	121.391	121.391
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**		**61.173.775**	**5.153.705**	**66.327.480**
2.1.	Irrevocable commitments	(1)	37.238.456	4.655.570	41.894.026
2.1.1.	Forward asset purchase commitments		1.592.109	4.072.171	5.664.280
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		10.841.061	461	10.841.522
2.1.5.	Securities underwriting commitments		-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Payment commitment for checks		3.228.572	-	3.228.572
2.1.8.	Tax and fund liabilities from export commitments		21.598	-	21.598
2.1.9.	Commitments for credit card expenditure limits		20.892.045	-	20.892.045
2.1.10.	Commitments for promotions related with credit cards and banking activities		24.241	-	24.241
2.1.11.	Receivables from short sale commitments		-	-	-
2.1.12.	Payables for short sale commitments		-	-	-
2.1.13.	Other irrevocable commitments		638.830	582.938	1.221.768
2.2.	Revocable commitments		23.935.319	498.135	24.433.454
2.2.1.	Revocable loan granting commitments		23.709.153	-	23.709.153
2.2.2.	Other revocable commitments		226.166	498.135	724.301
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(5), (6)**	**85.454.686**	**158.011.675**	**243.466.361**
3.1	Derivative financial instruments for hedging purposes		19.875.085	43.877.471	63.752.556
3.1.1	Fair value hedge		5.627.482	16.526.457	22.153.939
3.1.2	Cash flow hedge		14.247.603	27.351.014	41.598.617
3.1.3	Hedge of net investment in foreign operations		-	-	-
3.2	Held for trading transactions		65.579.601	114.134.204	179.713.805
3.2.1	Forward foreign currency buy/sell transactions		6.520.178	9.225.414	15.745.592
3.2.1.1	Forward foreign currency transactions-buy		2.305.736	5.528.122	7.833.858
3.2.1.2	Forward foreign currency transactions-sell		4.214.442	3.697.292	7.911.734
3.2.2	Swap transactions related to foreign currency and interest rates		48.364.812	92.729.476	141.094.288
3.2.2.1	Foreign currency swap-buy		20.097.335	37.308.846	57.406.181
3.2.2.2	Foreign currency swap-sell		28.267.477	29.029.570	57.297.047
3.2.2.3	Interest rate swaps-buy		-	13.195.530	13.195.530
3.2.2.4	Interest rate swaps-sell		-	13.195.530	13.195.530
3.2.3	Foreign currency, interest rate and securities options		10.694.611	11.220.338	21.914.949
3.2.3.1	Foreign currency options-buy		4.844.536	6.084.041	10.928.577
3.2.3.2	Foreign currency options-sell		5.850.075	5.136.297	10.986.372
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		-	106.440	106.440
3.2.4.1	Foreign currency futures-buy		-	53.220	53.220
3.2.4.2	Foreign currency futures-sell		-	53.220	53.220
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		-	852.536	852.536
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**711.400.291**	**141.857.180**	**853.257.471**
IV.	**ITEMS HELD IN CUSTODY**		**59.443.920**	**4.927.337**	**64.371.257**
4.1.	Assets under management		3.150.770	5.595	3.156.365
4.2.	Investment securities held in custody		20.156.105	909.346	21.065.451
4.3.	Checks received for collection		5.563.571	688.578	6.252.149
4.4.	Commercial notes received for collection		1.435.560	298.793	1.734.353
4.5.	Other assets received for collection		-	-	-
4.6.	Assets received for public offering		-	-	-
4.7.	Other items under custody		29.137.914	3.025.025	32.162.939
4.8.	Custodians		-	-	-
V.	**PLEDGED ITEMS**		**395.264.147**	**81.490.578**	**476.754.725**
5.1.	Marketable securities		2.273.601	7.265.368	9.538.969
5.2.	Guarantee notes		447.090	110.026	557.116
5.3.	Commodity		62.930	-	62.930
5.4.	Warranty		-	-	-
5.5.	Properties		89.393.827	46.498.596	135.892.423
5.6.	Other pledged items		303.086.699	27.616.588	330.703.287
5.7.	Pledged items-depository		-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**256.692.224**	**55.439.265**	**312.131.489**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**867.744.248**	**318.950.801**	**1.186.695.049**

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CONSOLIDATED STATEMENT OF OFF BALANCE SHEET
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

				Audited 31.12.2017	
		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**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2018 (STATEMENT OF INCOME/LOSS)

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

III. CONSOLIDATED INCOME STATEMENT

		Section Five Part IV	Reviewed 01.01 - 30.06.2018	Reviewed 01.04 - 30.06.2018
I.	**INTEREST INCOME**	**(1)**	**7.137.276**	**3.756.519**
1.1	Interest income on loans		5.815.577	3.061.846
1.2	Interest income on reserve deposits		85.660	46.088
1.3	Interest income on banks		121.290	59.816
1.4	Interest income on money market transactions		29.282	9.055
1.5	Interest income on securities portfolio		739.316	396.466
1.5.1	Financial assets measured at FVTPL		2.319	503
1.5.2	Financial assets measured at FVOCI		343.306	175.486
1.5.3	Financial assets measured at amortized cost		393.691	220.477
1.6	Financial lease income		217.972	116.663
1.7	Other interest income		128.179	66.585
II.	**INTEREST EXPENSE (-)**	**(2)**	**3.681.132**	**1.956.491**
2.1	Interest on deposits		2.435.217	1.298.167
2.2	Interest on funds borrowed		563.793	322.164
2.3	Interest on money market transactions		181.936	88.184
2.4	Interest on securities issued		478.737	233.465
2.5	Other interest expenses		21.449	14.511
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**3.456.144**	**1.800.028**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**1.033.283**	**526.683**
4.1	Fees and commissions received		1.252.695	644.336
4.1.1	Non-cash loans		50.419	26.010
4.1.2	Others		1.202.276	618.326
4.2	Fees and commissions paid (-)		219.412	117.653
4.2.1	Non-cash loans		808	400
4.2.2	Others		218.604	117.253
V.	**PERSONNEL EXPENSES (-)**	**(7)**	**726.513**	**374.516**
VI.	**DIVIDEND INCOME**	**(3)**	**3.594**	**3.112**
VII.	**NET TRADING INCOME/LOSS (Net)**	**(4)**	**(692.954)**	**(331.810)**
7.1	Trading account gain/losses		9.485	4.368
7.2	Gain/losses from derivative transactions		13.196	263.622
7.3	Foreign exchange gain/losses		(715.635)	(599.800)
VIII.	**OTHER OPERATING INCOME**	**(5)**	**36.327**	**18.275**
IX.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII+VIII)**		**3.109.881**	**1.641.772**
X.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**594.236**	**301.016**
XI.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**968.050**	**506.945**
XII.	**NET OPERATING PROFIT/LOSS (IX-X-XI)**		**1.547.595**	**833.811**
XIII.	**INCOME RESULTED FROM MERGERS**		**-**	**-**
XIV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**22.666**	**9.548**
XV.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**
XVI.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+…+XV)**	**(8)**	**1.570.261**	**843.359**
XVII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	**(9)**	**(333.141)**	**(176.706)**
17.1	Current tax charge		(447.877)	(375.877)
17.2	Deferred tax charge (+)		478.467	372.318
17.3	Deferred tax credit (-)		(363.731)	(173.147)
XVIII.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)**	**(10)**	**1.237.120**	**666.653**
XIX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
19.1	Income from assets held for sale		-	-
19.2	Income from sale of associates, subsidiaries and joint-ventures		-	-
19.3	Others		-	-
XX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
20.1	Expenses on assets held for sale		-	-
20.2	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
20.3	Others		-	-
XXI.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)**		**-**	**-**
XXII.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**		**-**	**-**
22.1	Current tax charge		-	-
22.2	Deferred tax charge (+)		-	-
22.3	Deferred tax credit (-)		-	-
XXIII.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)**		**-**	**-**
XXIV.	**NET PROFIT/LOSS (XVIII+XXIII)**	**(11)**	**1.237.120**	**666.653**
24.1	Group's profit/loss		1.236.705	666.447
24.2	Minority interest		415	206
	Earnings Per Share		0,03692	0,01989

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QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2018 (STATEMENT OF INCOME/LOSS)
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

III. CONSOLIDATED INCOME STATEMENT

		Section 5 Part IV.	Reviewed 01.01 - 30.06.2017	Reviewed 01.04 - 30.06.2017
I.	**INTEREST INCOME**	**(1)**	**5.184.524**	**2.726.988**
1.1	Interest on loans		4.275.422	2.262.809
1.2	Interest received from reserve deposits		45.759	25.475
1.3	Interest received from banks		78.217	42.206
1.4	Interest received from money market placements		47.225	17.937
1.5	Interest received from marketable securities portfolio		528.159	265.879
1.5.1	Held-for-trading financial assets		1.784	821
1.5.2	Financial assets at fair value through profit and loss		1.206	541
1.5.3	Available-for-sale financial assets		266.709	132.868
1.5.4	Investments held-to-maturity		258.460	131.649
1.6	Finance lease income		139.329	76.140
1.7	Other interest income		70.413	36.542
II.	**INTEREST EXPENSE**	**(2)**	**2.342.913**	**1.268.083**
2.1	Interest on deposits		1.693.506	940.626
2.2	Interest on funds borrowed		344.883	186.686
2.3	Interest on money market borrowings		75.490	31.800
2.4	Interest on securities issued		212.875	106.287
2.5	Other interest expense		16.159	2.684
III.	**NET INTEREST INCOME (I - II)**		**2.841.611**	**1.458.905**
IV.	**NET FEES AND COMMISSIONS INCOME**		**861.267**	**430.224**
4.1	Fees and commissions received		1.011.120	505.912
4.1.1	Non-cash loans		39.251	20.043
4.1.2	Other		971.869	485.869
4.2	Fees and commissions paid		149.853	75.688
4.2.1	Non-cash loans		1.114	615
4.2.2	Other		148.739	75.073
V.	**DIVIDEND INCOME**	**(3)**	**356**	**304**
VI.	**NET TRADING INCOME**	**(4)**	**(599.843)**	**(340.831)**
6.1	Securities trading gains/ (losses)		5.343	2.737
6.2	Gains / (losses)Financial derivative transactions		(597.665)	(301.619)
6.3	Foreign exchange gains/ (losses)		(7.521)	(41.949)
VII.	**OTHER OPERATING INCOME**	**(5)**	**35.324**	**19.913**
VIII.	**NET OPERATING INCOME (III+IV+V+VI+VII)**		**3.138.715**	**1.568.515**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**(6)**	**520.947**	**242.865**
X.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**1.519.651**	**784.939**
XI.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**1.098.117**	**540.711**
XII.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		-	-
XIII.	**GAIN / (LOSS) ON EQUITY METHOD**		**25.336**	**26.807**
XIV.	**GAIN / (LOSS) ON NET MONETARY POSITION**		-	-
XV.	**PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+…+XIV)**	**(8)**	**1.123.453**	**567.518**
XVI.	**TAX CHARGE FOR CONTINUED OPERATIONS (±)**	**(9)**	**(227.952)**	**(118.082)**
16.1	Current income tax charge		(203.581)	(74.698)
16.2	Deferred tax charge / benefit		(24.371)	(43.384)
XVII.	**NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)**	**(10)**	**895.501**	**449.436**
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)**	**895.501**	**449.436**
23.1	Group’s profit/loss		895.188	449.298
23.2	Minority shares		313	138
	Earnings per share		0,02842	0,01426

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

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

		Reviewed 01.01 – 30.06.2018
I.	**CURRENT PERIOD PROFIT/LOSS**	**1.237.120**
II.	**OTHER COMPREHENSIVE INCOME**	**91.645**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**18.736**
2.1.1	Revaluation Surplus on Tangible Assets	-
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	1.445
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	18.634
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(1.343)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**72.909**
2.2.1	Translation Differences	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(433.768)
2.2.3	Gains/losses from Cash Flow Hedges	526.872
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	(20.195)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**1.328.765**

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		Reviewed 01.01 -30.06.2017
I.	**ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS**	**255.216**
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)**	**(22.288)**
VI.	**PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)**	**-**
VII.	**THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES**	**-**
VIII.	**OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS**	**-**
IX.	**DEFERRED TAX OF VALUATION DIFFERENCES**	**(45.232)**
X.	**TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+…+IX)**	**187.696**
XI.	**PROFIT/LOSS**	**895.501**
11.1	Change in fair value of marketable securities (Transfer to Profit/Loss)	3.359
11.2	Reclassification and transfer of derivatives accounted for cash flow hedge purposes recycled to Income Statement	(1.594)
11.3	Transfer of hedge of net investments in foreign operations recycled to Income Statement	-
11.4	Other	893.736
XII.	**TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)**	**1.083.197**

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

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Reviewed	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.-30.06.2017																			
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**		-	-	-	-	-	-	-	-	-	-	**205.526**	-	-	-	-	**205.526**		**205.526**
IV.	**Hedging funds (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	**(17.830)**	-	**(17.830)**	-	**(17.830)**
4.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(17.830)	-	(17.830)		(17.830)
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**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share premium**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Inflation adjustment to paid-in capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	**Period net income/(loss)**		-	-	-	-	-	-	-	-	**895.188**	-	-	-	-	-	-	**895.188**	**313**	**895.501**
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)		**3.150.000**	**-**	**714**	**-**	**550.059**	**-**	**7.015.528**	**(43.654)**	**895.188**	**-**	**(214.627)**	**-**	**-**	**27.721**	**-**	**11.380.929**	**6.047**	**11.386.976**

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 SIX MONTH PERIOD THEN ENDED JUNE 30, 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							
	Reviewed	**Section 5 Part V**	**Paid-in Capital**	**Share Premium**	**Share Cancellation on 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 – 30.06.2018																	
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**		**-**	**-**	**-**	**-**	**-**	**1.127**	**17.609**	**-**	**(340.951)**	**413.860**	**-**	**-**	**1.236.705**	**1.328.350**	**415**	**1.328.765**
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**	**-**	**-**	**-**	**(67.185)**	**39.160**	**-**	**(503.564)**	**645.707**	**8.781.070**	**-**	**1.236.705**	**13.482.607**	**6.709**	**13.489.316**

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

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 SIX MONTH PERIOD THEN ENDED JUNE 30, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VI. CONSOLIDATED CASH FLOW STATEMENT

		Section 5 Part VI	Reviewed 01.01 – 30.06.2018
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities (+)**		**4.357.821**
1.1.1	Interest received		6.044.551
1.1.2	Interest paid		290.313
1.1.3	Dividend received		3.594
1.1.4	Fees and commissions received		1.253.877
1.1.5	Other income		36.327
1.1.6	Collections from previously written off loans		490.036
1.1.7	Payments to personnel and service suppliers		(1.336.916)
1.1.8	Taxes paid		(498.607)
1.1.9	Other		(1.925.354)
1.2	**Changes in operating assets and liabilities**		**(2.149.694)**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss		109.489
1.2.2	Net (increase) decrease in due from banks		(1.997.443)
1.2.3	Net (increase) decrease in loans		(4.547.482)
1.2.4	Net (increase) decrease in other assets		(1.032.671)
1.2.5	Net increase (decrease) in bank deposits		2.250.983
1.2.6	Net increase (decrease) in other deposits		(552.443)
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		253.942
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities		3.365.931
I.	**Net cash provided from banking operations (+/-)**		**2.208.127**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from / (used in) investing activities (+/-)**		**(1.403.402)**
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		228.403
2.4	Fixed assets sales		(288.508)
2.5	Purchase of financial assets measured at fair value through other comprehensive income		(1.842.919)
2.6	Sale of financial assets measured at fair value through other comprehensive income		1.118.750
2.7	Purchase of Financial Assets Measured at Amortized Cost		(988.738)
2.8	Sale of Financial Assets Measured at Amortized Cost		442.242
2.9	Other		(72.632)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash provided from / (used in) financing activities (+/-)**		**273.264**
3.1	Cash obtained from funds borrowed and securities issued		3.515.058
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 (+/-)**		**394.803**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**1.472.792**
VI.	**Cash and cash equivalents at the beginning of the period (+)**		**6.087.371**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**7.560.163**

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	Reviewed 01.01 – 30.06.2017
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities (+)**		**5.799.804**
1.1.1	Interest received (+)		4.719.130
1.1.2	Interest paid (-)		(2.131.537)
1.1.3	Dividend received (+)		356
1.1.4	Fees and commissions received (+)		992.533
1.1.5	Other income (+)		28.439
1.1.6	Collections from previously written off loans (+)		460.063
1.1.7	Payments to personnel and service suppliers (-)		(1.227.703)
1.1.8	Taxes paid (-)		(245.821)
1.1.9	Other (+/-)		3.204.344
1.2	**Changes in operating assets and liabilities**		**(5.239.383)**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss (+/-)		(38.334)
1.2.2	Net (increase) decrease in due from banks (+/-)		28.897
1.2.3	Net (increase) decrease in loans (+/-)		(1.342.477)
1.2.4	Net (increase) decrease in other assets (+/-)		(8.438.620)
1.2.5	Net increase (decrease) in bank deposits (+/-)		(765.584)
1.2.6	Net increase (decrease) in other deposits (+/-)		4.471.425
1.2.7	Net (increase) decrease in financial assets measured at fair value through other comprehensive income (+/-)		1.689.228
1.2.8	Net increase (decrease) in funds borrowed (+/-)		812.673
1.2.9	Net increase (decrease) in matured payables (+/-)		-
1.2.10	Net increase (decrease) in other liabilities (+/-)		(1.656.591)
I.	**Net cash provided from banking operations (+/-)**		**560.421**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from / (used in) investing activities (+/-)**		**(417.595)**
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 (-)		(40.404)
2.4	Fixed assets sales (+)		2.663
2.5	Cash paid for purchase of financial assets measured at fair value through other comprehensive income (-)		(613.195)
2.6	Cash obtained from sale of financial assets measured at fair value through other comprehensive income (+)		1.003.366
2.7	Cash paid for purchase of Financial Assets Measured at Amortized Cost (-)		(829.914)
2.8	Cash obtained from sale of Financial Assets Measured at Amortized Cost (+)		140.075
2.9	Other (+/-)		(80.186)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash provided from / (used in) financing activities (+/-)**		**2.169.604**
3.1	Cash obtained from funds borrowed and securities issued (+)		3.349.252
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 (+/-)**		**(33.967)**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**2.278.463**
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)**		**8.188.407**

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.

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

The Parent Bank maintains its books of account in accordance with the Banking Law No. 5411, which was published in the Official Gazette No. 25983 dated November 1, 2005. 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".

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.

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.

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

Accounting policies and valuation principles used in the preparation of the interim financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"),and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2017 except for the application of TFRS 9. The 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. Explanations on adoption of TFRS 9 is explained in Note XXVII. The Group also assessed the effect of TFRS 15 "Revenue from Contracts with Customers" standard.

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 and real estates. In addition, carrying value of assets subject to fair value hedge but are carried at historical cost is adjusted to reflect fair value changes related to risks being hedged.

The preparation of unconsolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by the 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.

(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 June 30, 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:

	June 30, 2018	December 31, 2017
US Dollar	TL 4,6083	TL 3,8104
Euro	TL 5,3310	TL 4,5478

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

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 June 30, 2018, net foreign exchange transaction income is TL 187.324 (June 30, 2017-TL 82.394 net foreign exchange transaction income) when the net interest expense amounting to TL 889.763 (June 30, 2017- TL 687.580) arising from derivative transactions is excluded from the derivative transactions income amounting to TL 13.196 (June 30, 2017- TL 597.665 derivative transactions loss) and foreign exchange loss amounting to TL 715.635 (June 30, 2017- TL 7.521 net foreign exchange loss).

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 (%) June 30, 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.	Cigna Finans Emeklilik ve Hayat A.Ş. (Cigna Finans Emeklilik)	Equity Method	Turkey	Private Pension and Insurance	49,00	49,00

Subsidiaries maintain their books of accounts and prepare their financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the accounting standards promulgated by the Turkish Commercial Code, Financial Leasing Law and Turkish Capital Markets Board ("CMB") regulations. Certain adjustments and reclassifications were made on the financial statements of the subsidiaries for the purpose of fair presentation in accordance with the prevailing regulations and accounting standards according to regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, in accordance with Turkish Accounting Standards ("TMS") and Turkish Reporting Standards ("TFRS") and related additions and interpretations published by Public Accounting and Auditing Oversight Authority ("KGK").

Differences between the accounting policies of subsidiaries and entities under common control and those of the Parent Bank are adjusted, if material. The financial statements of the subsidiaries and entities under common control are prepared as of June 30, 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 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 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 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.

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 aimes 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 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. Explanatıons 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 22 June 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 12-month expected credit losses.

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.

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.
- 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 Parent 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.

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 and scenario forecasts.

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.

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.

Consideration of the Macroeconomic Factors

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

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

Stages were determined through the models created using internal information for the Parent 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 into account maturity extensions, repayment options and the period during which the Parent 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 Parent Bank. Behavioral maturity analysis has been performed on credit cards and overdraft accounts.

Significant increase in credit risk

The Parent 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. When determining the significant increase in bank credit risk, The Parent Bank also assessed the absolute change in the PD date on the transaction date and on the reporting date. If the absolute change in the PD ratio is above the threshold values, the related financial asset is classified as stage 2.

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
- 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 a ‘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—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

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

Securities sold under repurchase agreements are recorded on the balance in accordance with Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as “Investments Subject to Repurchase Agreements” and valued based on the 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”.

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

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 7.845.478 (December 31, 2017– TL 7.631.184).

As of June 30, 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% 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 Parent Bank and 75% of gain 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 applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of June 30, 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.

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 June 30, 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.

(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 - 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.

Current Period (January 1 – June 30, 2018)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	1.082.592	1.240.354	1.133.198	3.456.144
Net Fees and Commissions Income	680.359	323.609	29.315	1.033.283
Other Operating Income and Net Trading Income	19.384	110.931	(786.942)	(656.627)
Personnel Expense (-)	156.043	244.472	325.998	726.513
Dividend Income	-	-	3.594	3.594
Operating Income	**1.626.292**	**1.430.422**	**53.167**	**3.109.881**
Other Operating Expenses (-)	713.891	399.383	(145.224)	968.050
Expected Loss Provisions (-)	178.744	391.525	23.967	594.236
Gain / Loss on joint venture accounted for at equity method	-	-	22.666	22.666
Profit Before Taxes	**733.657**	**639.514**	**197.090**	**1.570.261**
Provision for Tax	**-**	**-**	**(300.006)**	**(333.141)**
Net Profit/Loss	**-**	**-**	**-**	**1.237.120**
Total Assets	**29.080.582**	**69.519.195**	**49.525.846**	**155.632.674**
Segment Assets	29.080.582	69.519.195	49.525.846	148.125.623
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	164.522
Undistributed Assets	-	-	-	7.342.529
Total Liabilities	**47.652.023**	**25.902.284**	**50.831.043**	**155.632.674**
Segment Liabilities	47.652.023	25.902.284	50.831.043	124.385.350
Undistributed Liabilities	-	-	-	17.758.008
Equity	-	-	-	13.489.316
Other Segment Accounts	**168.528**	**88.131**	**(28.656)**	**228.003**
Capital Expenditures	74.822	39.128	(13.327)	100.623
Depreciation and Amortization	93.706	49.003	(15.329)	127.380
Value Decrease/ (Increase)	-	-	-	-

Prior Period (January 1 - June 30, 2017)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	872.500	934.525	1.034.586	2.841.611
Net Fees and Commissions Income	522.481	314.281	24.505	861.267
Other Operating Income and Net Trading Income	18.153	46.720	(629.392)	(564.519)
Dividend Income	-	-	356	356
Operating Income	**1.413.134**	**1.295.526**	**430.055**	**3.138.715**
Other Operating Expenses	788.827	575.253	155.571	1.519.651
Provision for Loan Losses and Other Receivables	249.245	295.903	(24.201)	520.947
Gain / Loss on joint venture accounted for at equity method	-	-	25.336	25.336
Profit Before Taxes	**375.062**	**424.370**	**324.021**	**1.123.453**
Provision for Tax	**-**	**-**	**-**	**(227.952)**
Net Profit/Loss	**-**	**-**	**-**	**895.501**
Other Segment Accounts	**114.069**	**77.384**	**22.141**	**213.594**
Capital Expenditures	44.673	30.306	11.425	86.404
Depreciation and Amortization	69.396	47.078	10.716	127.190
Value Decrease/ (Increase)	-	-	-	-

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

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	1.236.705	895.188
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
Earnings per Share	**0,03692**	**0,02672**

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).

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:

(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 TFRS9 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	-	(21.886)	77.597
Classified as Measured at Fair Value through Other Comprehensive Income	-	(42.573)	-	-	-	-
Post-classification book value	-	-	-	8.946.170	-	-
Measured at Fair Value through Other Comprehensive Income						
Pre-classification balance (Available to Sale)	8.349.875	-	-	-	-	-
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)	10.735	(38.070)

(*)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.

(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 476.464 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 other comprehensive income is now classified as amortized cost with the adoption of TFRS 9 is TL 1.720.595 and financial assets measured at amortized cost before January 1, 2018, with a transition to IFRS 9 and a fair value difference of TL 42.573 classified as other comprehensive income. Net After tax measurement differences of these securities TL 79.837 are classified in Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at Fair Value Other Comprehensive Income. 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’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 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 uncollectability of loans, the Parent Bank classifies related loans and receivables in non-performing loans and provides specific provision in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 26333 "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 June 30, 2018 Group's total capital has been calculated as TL 17.085.187 (December 31, 2017: TL 14.465.489), capital adequacy ratio is 14,35% (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 June 30, 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	93.210	
Profit	1.236.705	
Current Period Profit	1.236.705	
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	6.709	
Common Equity Tier 1 Capital Before Deductions	**13.468.408**	
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	626.082	
Improvement costs for operating leasing	66.757	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	323.628	323.628
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	**1.016.467**	
Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption	443.845	
Total Common Equity Tier 1 Capital	**12.895.786**	

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

	Current Period June 30, 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)	**12.895.786**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	2.926.944	
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)	1.324.045	
Tier II Capital Before Deductions	**4.250.989**	
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	**4.250.989**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**17.146.775**	
Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	21.008	
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 (-)	42.911	
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 June 30, 2018	Amounts subject to treatment before 1/1/2014(*)
TOTAL CAPITAL		
Total Capital	17.082.856	
Total risk weighted amounts	119.027.382	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	10,83%	
Tier 1 Capital Adequacy Ratio	10,83%	
Capital Adequacy Ratio	14,35%	
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	4,83%	
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	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)	2.298.147	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.324.045	
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	2.926.944	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.266.609	

(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
Transitional Basel III rules	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)	1.498	142	89	1.198
Par value of instrument (Currency in million)	1.498	922	576	1.198
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 06, 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 + 3,88%
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	12.895.786	12.718.248	12.629.479	12.540.710	12.451.941
Transition process not implemented Common Equity	12.451.941	12.451.941	12.451.941	12.451.941	12.451.941
Tier 1 Capital	12.895.786	12.718.248	12.629.479	12.540.710	12.451.941
Transition process not implemented Tier 1 Capital	12.451.941	12.451.941	12.451.941	12.451.941	12.451.941
Total Capital	17.082.856	16.905.318	16.816.549	16.727.780	16.639.011
Transition process not implemented Equity	16.639.011	16.639.011	16.639.011	16.639.011	16.639.011
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	119.027.382	119.027.382	119.027.382	119.027.382	119.027.382
Capital Adequacy Ratio					
Common Equity Adequacy Ratio (%)	10,83%	10,69%	10,61%	10,54%	10,46%
Transition process not implemented Common Equity Ratio (%)	10,46%	10,46%	10,46%	10,46%	10,46%
Tier 1 Capital Adequacy Ratio (%)	10,83%	10,69%	10,61%	10,54%	10,46%
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	10,46%	10,46%	10,46%	10,46%	10,46%
Capital Adequacy Ratio (%)	14,35%	14,20%	14,13%	14,05%	13,98%
Transition process not implemented Capital Adequacy Ratio (%)	13,98%	13,98%	13,98%	13,98%	13,98%
LEVERAGE					
Leverage Ratio Total Risk Amount	216.145.814	216.145.814	216.145.814	216.145.814	216.145.814
Leverage(%)	5,95%	5,95%	5,95%	5,95%	5,95%
Transition process not implemented Leverage Ratio(%)	5,76%	5,76%	5,76%	5,76%	5,76%

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

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

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context, part of the general loan loss provision up to 1,25% of amount subject to credit risk have been taken into consideration as contribution capital, 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

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette no. 29511 on October 23, 2015 and became effective as of March 31, 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Parent Bank, the following tables have not been presented as of June 30, 2018:

- Credit risk exposures by portfolio and PD range
- Effect on RWA of credit derivatives used as CRM techniques
- IRB (specialized lending and equities under the simple risk-weight method)
- IMA values for trading portfolios
- Comparison of VaR estimates with gains/losses

1. Overview of RWA

		Risk Weighted Assets		Minimum Capital Requirements	
		30.06.2018	**31.12.2017**	**30.06.2018**	**31.12.2017**
1	Credit risk (excluding counterparty credit risk)	102.959.952	86.699.271	8.236.796	6.935.942
2	Standardised approach	102.959.952	86.699.271	8.236.796	6.935.942
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	2.963.612	1.903.324	237.089	152.266
5	Standardised approach for counterparty credit risk	2.963.612	1.903.324	237.089	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	2.630.313	2.016.388	210.425	161.311
17	Standardised approach	2.630.313	2.016.388	210.425	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)**	**119.027.385**	**99.844.574**	**9.522.191**	**7.987.566**

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

2. Credit Risk Disclosures

a) CR1 – Credit quality of assets

Current Period		Gross carrying values of as per TAS: Defaulted exposures	Gross carrying values of as per TAS: Non-defaulted exposures	Allowances/ impairments	Net values
1	Loans	5.065.350	92.761.281	3.945.116	93.881.515
2	Debt Securities	-	17.760.568	-	17.760.568
3	Off-balance sheet exposures	-	59.873.483	12.255	59.861.228
4	**Total**	**5.065.350**	**170.395.332**	**3.957.371**	**171.503.311**

Prior Period		Gross carrying values of as per TAS: Defaulted exposures	Gross carrying values of as per TAS: Non-defaulted exposures	Allowances/ impairments	Net values
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**

b) 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	1.204.363	2.162.047
3	Returned to non-defaulted status	-	-
4	Amounts written off	-	752.070(*)
5	Other changes(**)	483.182	939.956
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**5.065.350**	**4.344.169**

(*) It includes sales of credit receivables which are in legal proceedings in current period at an amount of TL 1.195.218.

(**) It includes collections made from credits in default.

c) CR3 – Credit risk mitigation techniques – overview

Current Period		Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	90.653.472	3.228.043	1.755.079	-	-	-	-
2	Debt Securities	17.760.568	-	-	-	-	-	-
3	**Total**	**108.414.040**	**3.228.043**	**1.755.079**	**-**	**-**	**-**	**-**
4	Of which defaulted	1.095.151	25.083	349	-	-	-	-

Prior Period		Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
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	-	-	-	-

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

d) CR4 – Standardized 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	35.543.533	-	44.066.497	-	6.387.449	14%
2	Exposures to regional governments or local authorities	81.910	233	81.910	34	40.972	50%
3	Exposures to public sector entities	152.023	47.405	51.476	20.601	72.077	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	3.651.968	1.230.493	3.636.701	816.604	2.426.502	54%
7	Exposures to corporates	40.388.969	25.529.545	37.556.683	12.426.174	49.982.857	100%
8	Retail exposures	52.027.989	60.099.929	44.698.393	3.275.320	35.980.287	75%
9	Exposures secured by residential property	4.110.872	401.973	4.110.872	9.636	1.442.178	35%
10	Exposures secured by commercial real estate	2.645.368	95.616	2.645.368	39.926	1.342.647	50%
11	Past-due loans	1.036.116	-	1.035.767	-	737.000	71%
12	Higher-risk categories by the Agency Board	91.160	5.835	91.160	1.043	138.305	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	4.556.983	1.847.465	4.556.983	-	3.290.899	72%
17	Investments in equities	1.118.779	-	1.118.779	-	1.118.779	100%
18	**Total**	**145.405.670**	**89.258.494**	**143.650.589**	**16.589.338**	**102.959.952**	**64%**

	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%**

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

e) CR5 – Standardized approach – Exposures by asset classes and risk weights

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	37.679.048	-	-	-	-	-	6.387.449	-	-	44.066.497
2	Exposures to regional governments or local authorities	-	-	-	-	81.944	-	-	-	-	81.944
3	Exposures to public sector entities	-	-	-	-	-	-	72.077	-	-	72.077
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1.325.967	-	1.932.059	-	1.195.279	-	-	4.453.305
7	Exposures to corporates	-	-	-	-	-	-	49.982.857	-	-	49.982.857
8	Retail exposures	-	-	-	-	-	47.973.713	-	-	-	47.973.713
9	Exposures secured by residential property	-	-	-	4.120.508	-	-	-	-	-	4.120.508
10	Exposures secured by commercial real estate	-	-	-	-	2.685.294	-	-	-	-	2.685.294
11	Past-due loans	-	-	-	-	597.534	-	438.233	-	-	1.035.767
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	92.203	-	92.203
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	-	-	-	-	-	-	1.118.779	-	-	1.118.779
17	Investments in equities	1.266.057	-	33	-	-	-	3.290.893	-	-	4.556.983
18	**Total**	**38.945.105**	**-**	**1.326.000**	**4.120.508**	**5.296.831**	**47.973.713**	**62.485.567**	**92.203**	**-**	**160.239.927**

(*)Exposures post- Credit Conversion Factor (CCF) and Credit Risk Mitigation(CRM)

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	Other assets	-	-	-	-	-	-	977.304	-	-	977.304
17	Investments in equities	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**

(*)Exposures post- Credit Conversion Factor (CCF) and Credit Risk Mitigation(CRM)

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

3. Counterparty Credit Risk Disclosures

a) 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	7.529.424	1.515.222	-	1,4	3.489.702	1.792.342
2	Internal Model Approach	-	-	-	-	-	-
3	Simplified Standardized Approach for Credit Risk Mitigation	-	-	-	-	-	-
4	Comprehensive Method for Credit Risk Mitigation	-	-	-	-	1.606.727	534.423
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions	-	-	-	-	-	-
6	**Total**	**-**	**-**	**-**	**-**	**-**	**2.326.765**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard Approach-CCR	3.535.584	1.276.386	-	1,4	2.153.506	1.161.313
2	Internal Model Approach	-	-	-	-	-	-
3	Simplified Standardized Approach for Credit Risk Mitigation	-	-	-	-	-	-
4	Comprehensive Method for Credit Risk Mitigation	-	-	-	-	1.386.771	421.868
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions	-	-	-	-	-	-
6	**Total**	**-**	**-**	**-**	**-**	**-**	**1.583.181**

b) CCR2- Credit valuation adjustment (CVA) capital charge

	Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
(i) Value at risk component (3*multiplier included)	-	-	-	-
(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
Total portfolio value with simplified approach CVA capital adequacy	3.489.702	2.153.506	636.848	320.142
Total amount of CVA capital adequacy	**3.489.702**	**2.153.506**	**636.848**	**320.142**

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

c) CCR3 – Standardized 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	218.920	-	-	-	-	-	-	-	218.920
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	-	-	1.022.230	3.458.912	-	42.470	-	-	4.523.612
7	Exposures from corporates	-	-	-	-	-	338.223	-	-	338.223
8	Retail receivables	-	-	-	-	15.119	-	-	-	15.119
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	553	-	553
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**	**218.920**	**-**	**1.022.230**	**3.458.912**	**15.119**	**380.695**	**553**	**-**	**5.096.429**

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	-	-	1.040.399	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**

d) 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.)

e) 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	-	-	-	-	1.206.838	-
Cash - Foreign Currency	-	6.031.508	-	1.030.096	5.329.868	-
Government bond-domestic	-	-	-	-	150.158	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**6.031.508**	**-**	**1.030.096**	**6.686.864**	**-**

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
Prior Peiod	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**	**Collaterals Taken**	**Collaterals Given**
Cash-Local Currency	-	-	-	-	1.822.840	-
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**	**-**

f) CCR6 – Credit derivatives exposures

Related table is not presented due to the Parent Bank has no risk arrived from derivative credit received or sold (December 31, 2017 – None).

g) 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).

4. Securitization exposures:

The Parent Bank has no securitization transactions (December 31, 2017 – None).

5. Market risk under standardised approach

		RWA (**)	
		Current Period	**Prior Period**
	Outright products (*)	2.614.425	1.993.488
1	*Interest rate risk (general and specific)*	*1.858.588*	*1.549.350*
2	*Equity risk (general and specific)*	*40.862*	*61.037*
3	*Foreign exchange risk*	*711.725*	*380.688*
4	*Commodity risk*	*3.250*	*2.413*
	Options	15.888	22.900
5	*Simplified approach*	-	-
6	*Delta-plus method*	*15.888*	*22.900*
7	*Scenario approach*	-	-
8	Securitization	-	-
9	**Total**	**2.630.313**	**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

(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	4,6083 TL
Euro purchase rate in the balance sheet date	5,3310 TL

Date	US Dollar	Euro
June 29, 2018	4,6083	5,3310
June 28, 2018	4,6349	5,3960
June 27, 2018	4,6740	5,4576
June 26, 2018	4,6397	5,4071
June 25, 2018	4,7077	5,4848

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 June 2018 are TL 4,6282 and TL 5,4070 respectively.

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

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)	4.770.866	9.553.202	2.394.477	16.718.545
Due From Banks	126.135	461.015	25.518	612.668
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)(2)	176.883	70.834	43	247.760
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI)	440.415	2.916.121	-	3.356.536
Loans(3)	18.813.636	13.076.265	183.088	32.072.989
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	22.608	4.228.473	-	4.251.081
Derivative Financial Assets Hedging Purposes	1.547	206.504	-	208.051
Tangible Assets	-	-	57	57
Intangible Assets	-	-	-	-
Other Assets (4)	413.579	652.807	953	1.067.339
Total Assets	**24.765.669**	**31.165.221**	**2.604.136**	**58.535.026**
Liabilities				
Bank Deposits	1.237.959	3.130.833	70.757	4.439.549
Foreign Currency Deposits(5)	11.003.019	23.142.449	2.252.920	36.398.388
Money Market Borrowings	257.232	5.072.637	-	5.329.869
Funds Provided from Other Financial Institutions	7.551.730	15.180.048	2.964.787	25.696.565
Securities Issued(6)	193.399	6.636.511	-	6.829.910
Sundry Creditors	5.339.091	1.017.735	18.818	6.375.644
Derivative Fin. Liabilities Hedging Purposes	56.395	201.653	-	258.048
Other Liabilities (7)	303.560	298.854	583	602.997
Total Liabilities	**25.942.385**	**54.680.720**	**5.307.865**	**85.930.970**
Net Balance Sheet Position	**(1.176.716)**	**(23.515.499)**	**(2.703.729)**	**(27.395.944)**
Net Off-Balance Sheet Position	966.126	21.451.492	2.704.953	25.122.571
Financial Derivative Assets	13.682.685	73.126.246	2.903.229	89.712.160
Financial Derivative Liabilities	12.716.559	51.674.754	198.276	64.589.589
Non-Cash Loans (8)	6.119.854	7.469.906	338.481	13.928.241
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 2.365.126 (December 31, 2017 – TL 1.799.886) precious metal deposit account.

(2) Does not include TL 158.728 (December 31, 2017 – TL 53.594) of currency income accruals arising from derivative transactions.

(3) Includes TL 3.137.313 (December 31, 2017 – TL 3.382.889) FC indexed loans. Does not include repealed financial leasing receivables amounting to TL 8.675 (December 31 2017 – TL 6.737) accounted as FC in balance sheet. Includes FC indexed factoring receivables amounting to TL 66.518 (December 31, 2017 – TL 60.973) accounted as TL in balance sheet.

(4) Does not include FC prepaid expenses amounting to TL 9.637 (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 1.650.597 (December 31, 2017 – TL 1.198.394) of precious metal deposit account.

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

(7) Other Liabilities do not include the Foreign Exchange Loan Factoring payables amounting to TL 282.

(7) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 286.382 (December 31, 2017 – TL 22.830)

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

As of June 30, 2018, the net foreign currency exposure of the Group is TL 2.273.373 short position (December 31, 2017 – TL 1.812.382 short) resulting from on balance sheet short position amounting to TL 27.395.944 (December 31, 2017 – TL 19.773.962 short) and long off balance sheet position amounting to TL 25.122.571 (December 31, 2017 – TL 17.961.580 long). As it is stated in note numbered III.5.1.d in Section Five, net foreign currency short position of the Group is TL 522.219 (December 31, 2017 - TL 364.430 net foreign currency short position) following the fair value hedge accounting since the debt instrument at amount of USD 380 million (TL 1.751.154) (December 31, 2017 – TL 1.447.952) included in issued securities recorded as foreign currency in balance sheet in order to ensure currency hedging of immovable which has recorded in TL in accordance with TAS but whose fair value forms in foreign currency in market.

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.

(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 (*)	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	10.883.393	-	-	-	-	8.847.226	19.730.619
Due from Banks	82.795	1	4.364	-	-	560.195	647.355
Financial Assets at Fair Value Through Profit/Loss (**)	10.730	3.183	19.937	5.801	4.592	9.288.083	9.332.326
Money Market Placements	551.989	92.000	-	-	-	-	643.989
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) (***)	119.340	533.431	2.650.251	2.065.766	2.336.234	2.315.533	10.020.555
Loans and Receivables	17.800.902	11.618.547	32.605.351	29.105.722	3.718.419	3.750.835	98.599.776
Financial Assets Measured at Amortized Cost	1.007.077	1.599.338	3.374.518	1.300.863	2.953.983	228.980	10.464.759
Other Assets	-	-	-	-	-	6.193.295	6.193.295
Total Assets	**30.456.226**	**13.846.500**	**38.654.421**	**32.478.152**	**9.013.228**	**31.184.147**	**155.632.674**
Liabilities							
Bank Deposits	3.062.556	910.631	53.210	-	-	516.930	4.543.327
Other Deposits	42.130.345	11.453.630	4.229.204	39.152	290	15.701.796	73.554.417
Money Market Borrowings	3.832.614	1.688.431	1.549.014	36.462	-	25.437	7.131.958
Sundry Creditors	6.163.753	-	-	-	-	3.048.596	9.212.349
Securities Issued	1.516.953	3.589.115	2.967.532	3.528.641	-	45.064	11.647.305
Funds Borrowed	4.344.538	4.501.754	15.211.753	1.347.279	2.101.538	1.480	27.508.342
Other Liabilities (****)	7.199	30.352	37.341	43.893	-	21.916.191	22.034.976
Total Liabilities	**61.057.958**	**22.173.913**	**24.048.054**	**4.995.427**	**2.101.828**	**41.255.494**	**155.632.674**
On Balance Sheet Long Position	-	-	14.606.367	27.482.725	6.911.400	-	49.000.492
On Balance Sheet Short Position	(30.601.732)	(8.327.413)	-	-	-	(10.071.347)	(49.000.492)
Off-Balance Sheet Long Position	6.113.173	20.723.577	-	-	-	-	26.836.750
Off-Balance Sheet Short Position	-	-	(1.220.817)	(13.969.525)	(6.260.300)	-	(21.450.642)
Total Position	**(24.488.559)**	**12.396.164**	**13.385.550**	**13.513.200**	**651.100**	**(10.071.347)**	**5.386.108**

(*) Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(**) Financial Assets at Fair Value Through Profit/Loss include amount of TL 9.265.117 derivative financial assets through profit loss.
(***) Financial Assets Measured at Fair Value through Other Comprehensive Income include amount of TL 2.620.379 derivative financial assets through other comprehensive income.
(****) Other Liabilities include amount to TL 109.638 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 (*)	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 (**)	13.237	9.733	21.887	20.704	14.445	5.462.230	5.542.236
Money Market Placements	241.859	-	-	-	-	-	241.859
Inv. Securities Available for Sale	1.072.716	966.372	2.722.928	1.032.698	2.418.309	136.852	8.349.875
Loans and Receivables	17.215.456	8.691.744	26.622.376	24.352.841	3.415.159	2.130.780	82.428.356
Inv. Securities Held to Maturity	191.969	1.387.592	2.088.237	999.729	2.286.334	214.803	7.168.664
Other Assets	774.280	529.771	1.357.725	2.565.528	257.525	4.796.802	10.281.631
Total Assets	**29.514.749**	**11.589.301**	**32.821.342**	**28.971.500**	**8.391.772**	**19.906.001**	**131.194.665**
Liabilities							
Bank Deposits	1.855.973	205.422	149.449	-	-	134.035	2.344.879
Other Deposits	40.604.471	8.605.660	2.957.289	24.121	-	13.006.955	65.198.496
Money Market Borrowings	4.131.754	1.699.207	1.120.451	-	30.148	18.207	6.999.767
Sundry Creditors	3.257.730	-	-	-	-	2.957.681	6.215.411
Securities Issued	1.816.983	3.280.211	515.647	4.741.620	-	43.564	10.398.025
Funds Borrowed	3.510.963	3.059.173	12.070.952	954.129	1.799.190	128.456	21.522.863
Other Liabilities (***)	261	537	8.531	5.392	-	18.500.503	18.515.224
Total Liabilities	**55.178.135**	**16.850.210**	**16.822.319**	**5.725.262**	**1.829.338**	**34.789.401**	**131.194.665**
On Balance Sheet Long Position	-	-	15.999.023	23.246.238	6.562.434	-	45.807.695
On Balance Sheet Short Position	(25.663.386)	(5.260.909)	-	-	-	(14.883.400)	(45.807.695)
Off-Balance Sheet Long Position	6.266.978	15.722.425	554.484	-	-	-	22.543.887
Off-Balance Sheet Short Position	-	-	-	(16.166.423)	(3.063.760)	-	(19.230.183)
Total Position	**(19.396.408)**	**10.461.516**	**16.553.507**	**7.079.815**	**3.498.674**	**(14.883.400)**	**3.313.704**

(*) Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(**) Financial Assets at Fair Value Through Profit/Loss include TL 2.938.126 derivative financial assets used for hedging purposes.
(***) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 536.074.

(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	-	1,50	-	7,00
Due from Banks	-	2,26	-	10,89
Financial Assets Measured at Fair Value through Profit/Loss	2,12	7,21	-	14,99
Money Market Placements	-	-	-	18,76
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,47	4,97	-	14,50
Loans and Receivables	4,87	6,82	1,35	19,15
Financial Assets Measured at Amortized Cost	2,96	5,17	-	11,65
Liabilities				
Bank Deposits	1,14	2,42	-	13,83
Other Deposits	1,67	3,80	1,39	15,35
Money Market Borrowings	0,21	2,27	-	17,52
Sundry Creditors	0,36	1,82	-	-
Securities Issued	-	5,61	-	17,36
Funds Borrowed	2,28	4,06	-	14,53

Average interest rates applied to monetary financial instruments

	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

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

	Comparison		
Equity Securities (shares)	**Carrying Value**	**Fair Value**	**Market Value**
1. Equity Investments Group A	**32.241**	**-**	**32.241**
Quoted Securities	32.241	-	32.241
2. Equity Investments Group B	**-**	**-**	**-**
Quoted Securities	-	-	-
3. Equity Investments Group C	**-**	**-**	**-**
Quoted Securities	-	-	-
4. Equity Investments Group Other	**164.522(*)**	**151.970**	**-**

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

		Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio	**Gains/Losses in Current Period**	**Total**	**Amount under Core Capital**	**Total**	**Amount under Core Capital**	**Amount under Supplementary Capital**
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	688	-	-	621	-	279
3. Other Shares	-	-	-	-	-	-
4. Total	**688**	**-**	**-**	**621**	**-**	**279**

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.

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.

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

	Unweighted Amounts(*)		Weighted Amounts(*)	
Current Period - June 30, 2018	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS			**27.966.954**	**16.472.550**
1. High Quality Liquid Assets	27.966.954	16.472.550	27.966.954	16.472.550
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	52.776.562	21.425.098	4.674.832	2.142.510
3. Stable deposits	12.056.478	-	602.824	-
4. Less stable deposits	40.720.084	21.425.098	4.072.008	2.142.510
5. Unsecured Funding other than Retail and Small Business Customers Deposits	25.880.014	15.757.330	16.504.160	10.244.448
6. Operational deposits	573.075	46.135	143.269	11.534
7. Non-Operational Deposits	19.620.185	13.263.265	11.941.752	7.951.659
8. Other Unsecured Funding	5.686.754	2.447.930	4.419.139	2.281.255
9. Secured funding	-	-	685.958	685.958
10. Other Cash Outflows	17.746.892	9.866.360	17.746.892	9.866.360
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	17.746.892	9.866.360	17.746.892	9.866.360
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	22.908.442	-	1.145.422	-
15. Other irrevocable or conditionally revocable commitments	57.842.300	13.739.252	4.191.483	1.128.600
16. TOTAL CASH OUTFLOWS			**44.948.747**	**24.067.876**
CASH INFLOWS				
17. Secured Lending Transactions	14.311	-	-	-
18. Unsecured Lending Transactions	7.896.321	1.425.377	4.703.836	1.084.726
19. Other contractual cash inflows	15.823.475	11.938.161	15.823.475	11.938.161
20. TOTAL CASH INFLOWS	**23.734.107**	**13.363.538**	**20.527.311**	**13.022.887**
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			**27.966.954**	**16.472.550**
22. TOTAL NET CASH OUTFLOWS			**24.421.436**	**11.044.989**
23. LIQDUITY COVERAGE RATIO (%)			**114,52%**	**149,14%**

(*) 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.)

	Unweighted Amounts(*)		Weighted Amounts(*)	
Prior Period- December 31, 2017	**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 Amount	
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	125,18	11.05.2018	102,49	03.04.2018	114,79
FC	267,93	01.04.2018	102,83	02.04.2018	159,18

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

All of 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 50% 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. 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	6.491.716	13.238.903	-	-	-	-	-	19.730.619
Due from Banks	560.195	82.796	-	4.364	-	-	-	647.355
Financial Assets at Fair Value Through Profit/Loss [2]	-	727.324	742.590	3.496.358	4.186.062	147.850	32.142	9.332.326
Money Market Placements	-	551.989	92.000	-	-	-	-	643.989
Financial Assets Measured at Fair Value through Other Comprehensive Income[3]	104.505	11.849	206.644	1.150.842	5.354.118	3.192.597	-	10.020.555
Loans and Receivables[4]	-	16.175.668	8.698.781	27.146.110	34.628.129	10.830.854	1.120.234	98.599.776
Financial Assets Measured at Amortized Cost	-	98.507	-	745.127	3.525.848	6.095.277	-	10.464.759
Other Assets	-	2.037.119	18.245	29.948	720.190	1.755	3.386.038	6.193.295
Total Assets	**7.156.416**	**32.924.155**	**9.758.260**	**32.572.749**	**48.414.347**	**20.268.333**	**4.538.414**	**155.632.674**
Liabilities								
Bank Deposits	507.966	3.066.920	914.857	53.584	-	-	-	4.543.327
Other Deposits	15.273.871	42.375.204	11.541.806	4.323.027	40.509	-	-	73.554.417
Funds Borrowed	-	2.731.697	2.688.371	10.609.900	5.924.508	5.553.866	-	27.508.342
Money Market Borrowings	-	3.498.859	741.549	1.405.353	730.168	756.029	-	7.131.958
Securities Issued	-	1.442.651	2.067.461	3.481.727	4.610.151	45.315	-	11.647.305
Sundry Creditors	-	3.012.513	281.305	943.641	4.830.760	144.130	-	9.212.349
Other Liabilities [5]	-	1.689.758	624.534	2.416.036	2.078.779	451.074	14.774.795	22.034.976
Total Liabilities	**15.781.837**	**57.817.602**	**18.859.883**	**23.233.268**	**18.214.875**	**6.950.414**	**14.774.795**	**155.632.674**
Liquidity Excess / Gap	**(8.625.421)**	**(24.893.447)**	**(9.101.623)**	**9.339.481**	**30.199.472**	**13.317.919**	**(10.236.381)**	**-**
Net Off- Balance Sheet Position [6]	**-**	**(34.115)**	**124.878**	**1.984.936**	**2.073.624**	**2.378**	**-**	**4.151.701**
Receivables from financial derivative instruments	-	18.591.144	15.071.937	42.153.699	34.870.486	13.121.765	-	123.809.031
Liabilities from derivative financial instruments	-	18.625.259	14.947.059	40.168.763	32.796.862	13.119.387	-	119.657.330
Non Cash Loans [7]	**-**	**1.224.934**	**2.282.569**	**9.389.492**	**3.189.162**	**316.695**	**7.240.885**	**23.643.737**
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 shareholders' equity amounting to TL 13.489.316, unallocated provisions and deferred tax liability amounting to TL 820.150.
[2] Financial Assets at Fair Value Through Profit/Loss include derivative financial assets through profit loss amounting to TL 9.265.117.
[3] Financial Assets at Fair Value through other comprehensive income include derivative financial assets through other comprehensive income amounting to TL 2.620.379.
[4] Loans and receivables include leasing and factoring receivables.
[5] Other Liabilities also include derivative financial liabilities held for hedging purposes amounting to TL 109.638.
[6] 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.
[7] 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.)

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 5,95% (December 31, 2017: 6,18%). 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 (*)	149.786.621	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	304.457	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	1.456.800	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	65.027.227	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	(429.291)	(394.938)
7	**Total Risk Amount**	**216.145.814**	**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

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

c) Leverage ratio public disclosure template

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

	Book Value	
	Current Period (*)	**Prior Period (*)**
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	140.252.302	124.173.604
(Assets deducted from capital stock)	429.291	394.938
Total risk amount related to Assets on Balance sheet	**139.823.011**	**123.778.666**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	9.838.776	6.082.935
Potential credit risk amount of derivative financial instruments and credit derivatives	1.456.800	1.275.678
Total risk amount related to derivative financial instruments and credit derivatives	**11.295.576**	**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	86.968.552	74.916.230
(Adjustment amount sourcing from multiplying to credit conversion rates)	(21.941.325)	(17.343.750)
Total risk amount related to off-balance sheet transactions	**65.027.227**	**57.572.480**
Capital and Total Risk		
Core Capital	12.858.240	11.665.362
Amount of total risk	216.145.814	188.709.759
Financial leverage ratio		
Financial leverage ratio	5,95%	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.)

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Consolidated Assets

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Cash in TL/Foreign Currency	650.733	519.884	644.333	340.629
T.R. Central Bank	2.321.094	16.143.435	1.461.242	13.408.983
Others	40.247	55.226	25.365	1.720
Total	**3.012.074**	**16.718.545**	**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	717.790	2.904.532	849.656	2.239.530
Restricted Time Deposits	1.603.304	13.238.903	611.586	11.169.453
Total	**2.321.094**	**16.143.435**	**1.461.242**	**13.408.983**

As of June 30, 2018 amount of TL 20.200 provision provided for the account T.R. Central Bank with adoption of TFRS 9.

As of June 30, 2018, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 4% to 10,5% depending on the maturity of deposits (December 31, 2017 – 4% to 10,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 24% depending on the maturity of deposits and other liabilities (December 31, 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	26.840	1.328	28.219	1.113
Subject to repurchase agreement	7.317	-	14.275	-
Total	**34.157**	**1.328**	**42.494**	**1.113**

b) Positive differences on trading derivative instruments

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forward Transactions	307.365	-	43.711	-
Swap Transactions	5.187.370	144.248	2.213.686	184.096
Futures	-	251	-	105
Options	3.254	253.133	884	61.660
Other	-	-	-	-
Total	**5.497.989**	**397.632**	**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.

(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	34.556	108.849	16.806	845.929
Foreign	131	503.819	851	436.186
Foreign Head Offices and Branches	-	-	-	-
Total	**34.687**	**612.668**	**17.657**	**1.282.115**

As a result of TFRS 9 adoption, amount of TL 8.837 provision established for banks account as of June 30, 2018.

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
EU Countries	172.391	69.846	27.773	17.419
USA and Canada	151.547	240.799	138.736	103.924
OECD Countries (*)	4.110	2.133	-	-
Off-shore Banking Regions	-	-	-	-
Other	9.393	2.916	-	-
Total	**337.441**	**315.694**	**166.509**	**121.343**

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

(**) Includes blocked placements amounting to TL 166.509 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	**150.158**	**-**	**-**	**-**
T.R. Central Bank	-	-	-	-
Banks	150.158	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	-	-	-	-
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Total	**150.158**	**-**	**-**	**-**

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	285.247	578.782
Subject to repurchase agreements	957.239	2.655.106
Total	**1.242.486**	**3.233.888**

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

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**

b.1) Information on Financial Assets Measured at Fair Value through Other Comprehensive Income:

	Current Period
Debt securities	**7.733.891**
Quoted on a stock exchange (*)	7.733.891
Unquoted on a stock exchange	-
Share certificates	**106.128**
Quoted on a stock exchange	1.380
Unquoted on a stock exchange(**)	104.748
Impairment provision (-)(***)	**(439.843)**
Total	**7.400.176**

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 2.363.877 (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 June 30, 2018 amount of TL 13.115 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	**167**	-	**613**	-
Corporate Shareholders	167	-	613	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	84.426	-	82.484	-
Total	**84.593**	**-**	**83.097**	**-**

(*) Includes 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

Cash Loans	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Non Specialized Loans	**85.120.818**	**4.723.812**	**212.832**	**2.703.819**
Entreprise Loans	1.112.555	13.120	-	-
Export Loans	2.071.777	28.473	-	-
Import Loans	19.773	-	-	-
Financial Sector Loans	707.910	933	-	-
Consumer Loans	18.174.567	821.006	24.671	475.692
Credit Cards	11.177.310	596.854	-	343.630
Other	51.856.926	3.263.426	188.161	1.884.497
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**85.120.818**	**4.723.812**	**212.832**	**2.703.819**

	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses (Stage I)	919.123	-
Significant Increase in Credit Risk (Stage II)	-	1.379.024

Number of Extensions	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 times	1.429.453	2.777.055
3, 4 or 5 times	26.753	102.690
Over 5 times	4.162	36.906
Total	**1.460.368**	**2.916.651**

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 - 6 months	731.206	1.839.456
6 -12 months	73.321	201.187
1 - 2 years	317.151	563.930
2 - 5 years	262.103	287.695
5 years and over	76.587	24.383
Total	**1.460.368**	**2.916.651**

c) Loans according to their maturity structure

Cash Loans	Standard Loans	Loans Under Close Monitoring	
		Loans without Revised Contract Terms	Restructured Loans
Short-term Loans	29.384.430	598.581	343.630
Medium and Long-term Loans	55.736.388	4.125.231	2.573.021
Total	**85.120.818**	**4.723.812**	**2.916.651**

(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	**827.660**	**16.963.457**	**17.791.117**
Housing Loans	53.893	5.105.378	5.159.271
Automobile Loans	275	19.912	20.187
Personal Need Loans	773.492	11.838.167	12.611.659
Other	-	-	-
Consumer Loans-FC Indexed	**8.704**	**3.788**	**12.492**
Housing Loans	8.378	3.666	12.044
Automobile Loans	-	-	-
Personal Need Loans	326	122	448
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	**9.127.239**	**345.523**	**9.472.762**
Installment	3.459.280	345.523	3.804.803
Non- Installment	5.667.959	-	5.667.959
Individual Credit Cards-FC	**4.139**	-	**4.139**
Installment	-	-	-
Non- Installment	4.139	-	4.139
Personnel Loans-TL	**5.429**	**42.137**	**47.566**
Housing Loans	51	568	619
Automobile Loans	-	-	-
Personal Need Loans	5.378	41.569	46.947
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	**32.222**	-	**32.222**
Installment	13.579	-	13.579
Non-Installment	18.643	-	18.643
Personnel Credit Cards-FC	**87**	-	**87**
Installment	-	-	-
Non-Installment	87	-	87
Overdraft Accounts-TL (Real Persons)	**1.484.684**	-	**1.484.684**
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	**11.490.164**	**17.354.905**	**28.845.069**

(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	**1.224.430**	**17.016.355**	**18.240.785**
Real Estate Loans	38.550	464.854	503.404
Automobile Loans	5.669	141.232	146.901
Personal Need Loans	1.180.211	16.410.269	17.590.480
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	**514.750**	**947.238**	**1.461.988**
Real Estate Loans	14.221	18.668	32.889
Automobile Loans	24.215	63.084	87.299
Personal Need Loans	476.314	865.486	1.341.800
Other	-	-	-
Commercial Loans with Installment Facility - FC	**-**	**-**	**-**
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards –TL	**2.588.995**	**18.559**	**2.607.554**
Installment	849.169	18.559	867.728
Non-Installment	1.739.826	-	1.739.826
Corporate Credit Cards –FC	**1.030**	**-**	**1.030**
Installment	-	-	-
Non-Installment	1.030	-	1.030
Overdraft Accounts-TL (Legal Entities)	**1.105.247**	**-**	**1.105.247**
Overdraft Accounts-FC (Legal Entities)	**-**	**-**	**-**
Total	**5.434.452**	**17.982.152**	**23.416.604**

f) Loans according to borrowers

	Current Period	Prior Period
Public	100.406	50.160
Private	92.660.875	81.585.320
Total	**92.761.281**	**81.635.480**

g) Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	92.053.844	81.118.403
Foreign Loans	707.437	517.077
Total	**92.761.281**	**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	337.035	113.746
Loans and Receivables with Doubtful Collectability	511.304	348.575
Uncollectible Loans and Receivables	3.096.777	3.078.393
Total	**3.945.116**	**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			
Gross Amounts Before the Provisions	40	4.693	58.543
Restructured Loans	40	4.693	58.543
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 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 (+)	1.063.651	74.005	66.707
Transfers from Other Categories of Non-Performing Loans (+)	-	797.873	680.194
Transfers to Other Categories of Non-Performing Loans (-)	798.074	679.993	-
Collections (-)	231.997	97.166	154.019
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Period End Balance	**602.206**	**791.869**	**3.671.275**
Specific Provision (-)	337.035	511.304	3.096.777
Net Balances on Balance Sheet	**265.171**	**280.565**	**574.498**

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)	**265.171**	**280.565**	**574.498**
Loans to Real Persons and Legal Entities (Gross)	602.206	791.869	3.638.787
Provision (-)	337.035	511.304	3.064.289
Loans to Real Persons and Legal Entities (Net)	265.171	280.565	574.498
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	32.488
Provision (-)	-	-	32.488
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)	-	-	-

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.

7. Information on factoring receivables

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term	1.424.208	71.223	1.250.546	95.688
Medium and Long Term	22.952	-	34.768	-
Total	**1.447.160**	**71.223**	**1.285.314**	**95.688**

As of June 30, 2018 and June 30, 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	5.796	1.833
Collections	(2.576)	(1.046)
Write-offs	-	-
Provision at the End of Period	**45.014**	**21.612**

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

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	236.075	287.466
Subject to repurchase agreements	263.025	3.962.791
Total	**499.100**	**4.250.257**

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

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

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

	Current Period	
	TL	**FC**
Government Bond	6.213.678	3.148.053
Treasury Bill	-	-
Other Public Sector Debt Securities	-	374.777
Total	**6.213.678**	**3.522.830**

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**

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

	Current Period	
	TL	**FC**
Debt Securities	**6.213.678**	**4.251.081**
Publicly-traded	6.213.678	4.251.081
Non-publicly traded	-	-
Provision for losses (-)	-	-
Total	**6.213.678**	**4.251.081**

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**

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

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	730.726
Acquisitions during the year	988.738
Disposals through sales and redemptions	(442.242)
Impairment provision (-)	-
Valuation Effect	241.367
The sum of end of the period	**10.464.759**

(*)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 June 30, 2018, a provision amounting to TL 17.339 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**

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
86.772	53.658	46.395	686	-	4.564	3.416	-

(*) Current year information is based on March 31, 2018 financials. Prior year profit and loss amounts are based on March 31, 2017 financials.

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

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**

9.6. Investments in associates sold during the current period

None (December 31, 2017 - None).

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

10. Investments in subsidiaries (Net)

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

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

	Title	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. Ve Tic. A.Ş.	Istanbul/Turkey	99,91	99,99
2.	EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.(*)	Istanbul/Turkey	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.	44.454	20.047	17.986	-	-	273	1.277	-
2.	13.303	3.948	5.502	236	-	1.050	(90)	-

(*) 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.	İstanbul/Turkey	99,80	100,00
2.	QNB Finans Finansal Kiralama A.Ş.	İstanbul/Turkey	99,40	99,40
3.	Hemenal Finansman A.Ş.	İstanbul/Turkey	100,00	100,00
4.	QNB Finans Portföy Yönetimi A.Ş.	İstanbul/Turkey	0,03	100,00
5.	QNB Finans Faktoring A.Ş.	İstanbul/Turkey	99,99	100,00

Information on subsidiaries in the order as presented in the table above:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (*)
1.	511.669	149.915	3.462	18.739	3.957	21.092	10.914	139.306
2.	5.922.393	789.853	5.909	219.242	-	68.968	52.050	474.387(*)
3.	184.712	47.648	3.112	8.209	-	(2.153)	(3.099)	-
4.	12.315	11.108	121	828	-	(821)	(675)	-
5.	1.560.625	108.252	3.300	118.438	-	18.846	8.391	143.388

(*) 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	**90.555**	**77.349**
Purchases(*)	15.000	30.000
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Difference	75.555	47.349
Impairment Provision	-	-
Balance at the End of the Period	**815.476**	**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	143.388	93.350
Leasing Companies	474.387	445.809
Finance Companies	58.395	58.395
Other Subsidiaries	139.306	127.367
Total	**815.476**	**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	474.387	445.809
Quoted on International Stock Exchanges	-	-
Total	**474.387**	**445.809**

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

None.

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

11. Investments in entities under common control:

	Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank' Risk Group Share (%)
1.	Cigna Finans Emeklilik ve Hayat A.Ş.	İstanbul/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.	1.279.149	121.118	16.013	-	-	40.454	21.806	151.969
2.	64.758	43.905	34.274	-	-	5.421	6.755	-

12. Information on finance lease receivables (Net):

12.1 Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	2.015.872	1.616.207	1.643.065	1.345.976
Between 1-4 years	3.614.295	3.064.448	2.876.082	2.460.214
Over 4 years	896.764	817.370	716.284	659.873
Total	**6.526.931**	**5.498.025**	**5.235.431**	**4.466.063**

Finance lease receivables include non-performing finance lease receivables amounting to TL 234.399 (December 31, 2017 – TL 164.253) and specific provisions amounting to TL 126.619 (December 31, 2017 – TL 97.562).

Changes in non-performing finance lease receivables provision as of June 30, 2018 and June 30, 2017, are as follows:

	Current Period	Prior Period
End of the prior period	98.706	114.477
Provided provision / (reversal), Net	32.971	16.337
Collections	(5.058)	(5.567)
Written-off	-	(53.306)
Provision at the end of the period	**126.619**	**71.941**

12.2 Information on net investment on leases

	Current Period	Prior Period
Gross Finance Lease Investments	6.526.931	5.235.431
Unearned Finance Income (-)	1.028.906	769.368
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	**5.498.025**	**4.466.063**

12.3 Information of finance lease contracts of the Parent Bank

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

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

13. Information on hedging purpose derivatives:

	Current Period(***)	
	TL	**FC**
Fair Value Hedge (*)	3.324.352	45.144
Cash Flow Hedge(**)	2.453.875	166.504
Net Investment Hedge	-	-
Total	**5.778.227**	**211.648**

	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 June 30, 2018, TL 40.000 (December 31, 2017 - TL 13.675) from securities, TL 1.547 (December 31, 2017 – TL 808) from funds borrowed, TL 3.597 (December 31, 2017- TL 14.249))from financial leasing ,TL 3.324.352 (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.

14. Explanations on investment property

None (December 31, 2017- None).

15. Information on tax asset

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

After deferred tax asset and liability balances in the financial statements of the consolidated subsidiaries are netted off separately deferred tax asset is TL 565.852 (December 31, 2017 – TL 34.894). There is no deferred tax liability.(December 31, 2017- TL 48.751)

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 15.639 are netted under equity. (December 31, 2017 – TL 18.606 deferred tax assets).

	Temporary Differences		Deferred Tax Assets/(Liabilities)	
	30.06.2018	**31.12.2017**	**30.06.2018**	**31.12.2017**
Provision for Employee Rights	360.494	379.809	97.113	83.877
Difference Between the Book Value of Financial Assets and Tax Base	2.548.073	510.067	552.565	123.869
Other	3.753.855	871.924	805.205	189.024
Deferred Tax Assets			**1.454.883**	**396.770**
Difference Between the Book Value Financial Fixed Assets and Tax Base	(212.158)	(234.253)	(46.651)	(847.422)
Difference Between the Book Value of Financial Assets and Tax Base	(3.102.275)	(997.362)	(679.009)	(229.135)
Other	(743.295)	(630.430)	(163.371)	(134.070)
Deferred Tax Liabilities			**(889.031)**	**(410.627)**
Deferred Tax Assets/(Liabilities), Net			**565.852**	**(13.857)**

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

	Current Period 01.01-30.06.2018	Prior Period 01.01-30.06.2017
Deferred Tax as of January 1 Asset/ (Liability)- Net	472.654	66.967
Deferred Tax (Loss) / Gain	114.736	(24.371)
Deferred Tax that is Realized Under Shareholder's Equity	(21.538)	(45.232)
Deferred Tax Asset/ (Liability) - Net	**565.852**	**(2.636)**

16. Information on assets held for sale and discontinued operations

As of June 30, 2018, the Parent Bank does not have any assets held for sale (December 31, 2017-None).

17. Information on other assets:

17.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Collateral Given for Derivative Transactions	1.043.595	538.740
Assets Held for Resale (net)	661.113	361.684
Other Prepaid Expenses	660.196	572.388
Miscellaneous Receivables	300.093	291.355
Cheques Receivables from Other Banks	89.814	72.281
Prepaid rent expenses	41.523	34.454
Prepaid Agency Commissions	13.459	12.460
Advances Given	7.488	3.847
Other	92.532	73.700
Total	**2.909.813**	**1.960.909**

17.2 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 17.1 section of disclosure.

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

18. 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	11.276.216	609.280
Loans	1.991.902	419.447
Securities Measured at Amortized Cost	169.372	59.610
Financial Assets Measured at Fair Value through Other Comprehensive Income	(71.801)	(298.956)
Central Bank	50.442	-
Leasing Receivables	14.894	21.911
Banks	1.573	9
Financial Assets Measured at Fair Value through Profit/Loss	(1.260)	105
Other Accruals	10.354	12.814
Total	**13.441.692**	**824.220**

	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	**3.355.428**	**-**	**3.653.672**	**17.641.355**	**1.196.520**	**646.692**	**1.195.027**	**2.031**	**27.690.725**
Foreign Currency	**7.406.898**	**-**	**2.599.202**	**20.204.559**	**1.469.837**	**2.066.267**	**1.000.763**	**266**	**34.747.792**
Residents in Turkey	7.231.167	-	2.557.458	19.707.002	1.401.597	2.014.670	790.925	266	33.703.085
Residents Abroad	175.731	-	41.744	497.557	68.240	51.597	209.838	-	1.044.707
Public Sector Deposits	**146.828**	**-**	**827**	**24.827**	**2.699**	**9**	**221**	**-**	**175.411**
Commercial Deposits	**2.759.166**	**-**	**2.378.325**	**2.505.075**	**162.912**	**502.523**	**635.458**	**-**	**8.943.459**
Other Ins. Deposits	**63.557**	**-**	**31.542**	**224.403**	**16.118**	**10.141**	**672**	**-**	**346.433**
Precious Metal Deposits	**1.541.994**	**-**	**-**	**19.687**	**195**	**3.861**	**84.860**	**-**	**1.650.597**
Bank Deposits	**507.966**	**-**	**1.629.931**	**1.440.757**	**751.938**	**115.394**	**97.341**	**-**	**4.543.327**
T.R. Central Bank	-	-	1.578.433	-	-	-	-	-	1.578.433
Domestic Banks	36.991	-	-	9.248	-	2.053	-	-	48.292
Foreign Banks	29.714	-	51.498	1.431.509	751.938	113.341	97.341	-	2.475.341
Participation Banks	441.261	-	-	-	-	-	-	-	441.261
Other	-	-	-	-	-	-	-	-	-
Total	**15.781.837**	**-**	**10.293.499**	**42.060.663**	**3.600.219**	**3.344.887**	**3.014.342**	**2.297**	**78.097.744**

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	**5.823.343**	**-**	**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**

(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 the Deposit Insurance Limit	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Saving Deposits	13.512.742	12.342.514	13.658.490	11.921.850
Foreign Currency Savings Deposits	4.649.709	3.857.126	17.468.076	14.315.461
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**18.162.451**	**16.199.640**	**31.126.566**	**26.237.311**

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

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

	Current Period	**Prior Period**
Deposits and accounts in branches abroad	12.734	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	50.803	15.440
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	**63.537**	**22.880**

2. Information on trading purpose derivatives:

a) Negative value of trading purpose derivatives:

	Current Period(*)		Prior Period	
	TL	**FC**	**TL**	**FC**
Forwards	284.485	-	83.786	-
Swaps	4.864.024	301.473	1.787.821	175.993
Futures	-	238	-	103
Options	335	208.317	275	22.266
Other	-	-	-	-
Total	**5.153.204**	**510.028**	**1.871.882**	**198.362**

(*) At the current period, derivative financial liabilities for trading purpose has shown at the row 7.1 in financial statements.

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

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	1.051.126	865.211	813.435	459.170
Foreign Banks, Institutions and Funds	760.651	20.617.121	641.546	16.097.875
Total	**1.811.777**	**21.482.332**	**1.454.981**	**16.557.045**

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-Term	1.161.817	7.396.998	812.291	5.770.207
Medium and Long-Term	649.960	14.085.334	642.690	10.786.838
Total	**1.811.777**	**21.482.332**	**1.454.981**	**16.557.045**

The Parent Bank's fund sources include deposits, funds borrowed, securities issued and money market borrowings. Deposit is the most significant fund source of the Parent 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 Parent Bank.

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

As of June 30, 2018, the Group's liabilities comprise; 50% deposits (December 31, 2017 – 51%), 15% funds borrowed (December 31, 2017 – 14%), 8% issued bonds (December 31, 2017 – 8%) and 5% funds provided under repurchase agreements (December 31, 2017 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From domestic transactions	**1.223.652**	**-**	**1.852.178**	**-**
Financial institutions and organizations	1.179.955	-	1.790.023	-
Other institutions and organizations	12.790	-	15.494	-
Real persons	30.907	-	46.661	-
From foreign transactions	**1.499**	**5.329.869**	**6.724**	**4.631.256**
Financial institutions and organizations	-	5.329.869	-	4.631.256
Other institutions and organizations	1.499	-	6.724	-
Real persons	-	-	-	-
Total	**1.225.151**	**5.329.869**	**1.858.902**	**4.631.256**

5. Information on securities issued (Net):

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Bank Bonds	4.061.894	-	4.208.176	57.156
Asset-backed securities(*)	436.650	-		
Bills	318.851	6.829.910	195.169	5.937.524
Total	**4.817.395**	**6.829.910**	**4.403.345**	**5.994.680**

(*) Includes 200.000 TL on February 14, 2018, 200.000 TL on May 28, 2018 and 36.650 TL on June 20, 2018 for the issuance of asset-backed securities issued by QNB Finans Finansal Kiralama. The maturity dates of these securities are February 12, 2020, 27 May 2020 and 17 June 2020 respectively.

As of June 30, 2018, The Parent Bank has bond issue program (Global Medium Term Note Programme) amounting to USD 5 Billion.

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

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 Parent 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).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period(***)	
	TL	**FC**
Fair Value Hedge (*)	459	246.669
Cash Flow Hedge (**)	36.661	72.977
Net Investment Hedge	-	-
Total	**37.120**	**319.646**

	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 June 30, 2018, TL 26.655 (December 31, 2017 – TL 41.598) loan portfolio, TL 11.675 (December 31, 2017 – TL 4.056) issued bonds, TL 147.200 (December 31, 2017 –TL 168.798) the securities, and TL 61.598 (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.

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

9. Information on provisions:

9.1. Information on general provisions

	Current Period
Provisions for Off Balance Sheet Commitments(*)	262.461
Total	**262.461**

(*) As of June 30, 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 12.255 (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 June 30, 2018, TL 191.701 (December 31, 2017 - TL 182.089) reserve for employee termination benefits was provided in the accompanying financial statements.

As of June 30, 2018, the Group accrued TL 57.119 (December 31, 2017 - TL 46.042) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of June 30, 2018, TL 111.674 (December 31, 2017– TL 151.679) 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 01.01-30.06.2018	Prior Period 01.01-30.06.2017
As of January 1	182.089	144.405
Service cost	12.807	9.700
Interest Cost	10.792	7.979
Settlement / curtailment / termination loss	3.430	10.082
Actuarial differences	(453)	-
Paid during the period	(16.964)	(24.582)
Total	**191.701**	**147.584**

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

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	11.532	9.356
Other Provisions	185.663	153.086
Total	**197.195**	**270.892**

(*)Provisions for watchlist 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 June 30, 2018, the Group has current tax liability of TL 447.878 (December 31, 2017 - TL 475.298) and as of June 30, 2018, the Group has none prepaid tax TL (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 June 30, 2018, after the offsetting, the current tax liability amounting to TL 613.437 (December 31, 2017 – TL 419.559) is disclosed with current tax receivable TL 13.459 (December 31, 2017– TL 12.181)

10.1.2 Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	613.437	419.559
Taxation on Securities Income	81.520	56.775
Taxation on Real Estates Income	2.615	1.953
Banking and Insurance Transaction Tax (BITT)	81.492	65.519
VAT Payable	157	154
Other	22.988	25.771
Total	**802.209**	**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	20.289	21.365
Social Security Premiums - Employer Share	19.933	18.871
Pension Fund Fee and Provisions – Employee Share	26	11
Pension Fund Fee and Provisions – Employer Share	86	37
Unemployment Insurance - Employee Share	1.428	1.245
Unemployment Insurance - Employer Share	2.823	2.486
Other	40	34
Total	**44.625**	**44.049**

11. Information on payables related to assets held for sale

None (December 31, 2017- None).

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

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	**-**	**4.214.233**	**-**	**3.510.837**
Subordinated Loans	-	4.214.233	-	3.510.837
Subordinated Debt Instruments	-	-	-	-
Total	**-**	**4.214.233**	**-**	**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.

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.

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

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	**(13.789)**	**(451.899)**	**(53.163)**	**(176.412)**
Valuation Differences	(13.789)	(451.899)	(53.163)	(176.412)
Foreign Exchange Rate Differences	-	-	-	-
Total	**(13.789)**	**(451.899)**	**(53.163)**	**(176.412)**

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	5.153.663	756.697
Deposits	362.408	74.396
Funds Borrowed	32.766	155.694
Money Market Borrowings	1.354	24.083
Issued Securities	9.144	51.704
Other Accruals	181.093	-
Total	**5.740.428**	**1.062.574**

	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	20.892.045	17.115.833
Commitment For Use Guaranteed Credit Allocation	10.841.522	9.774.575
Payment Commitments for Cheques	3.228.572	2.754.045
Forward Asset Purchase Commitments	5.664.280	2.790.244
Other Irrevocable Commitments	1.221.768	1.056.395
Commitments for Promotions Related with Credit Cards and Banking Activities	24.241	45.880
Tax and Fund Liabilities due to Export Commitments	21.598	15.358
Capital Commitments of Associates and Subsidiaries	-	-
Total	**41.894.026**	**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 12.255 (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	4.087.890	3.012.892
Letters of Credit	1.987.524	1.783.291
Other Guarantees	-	-
Total	**6.075.414**	**4.796.183**

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

	Current Period	Prior Period
Provisional Letters of Guarantee	991.262	920.541
Final Letters of Guarantee	7.072.878	6.387.607
Advance Letters of Guarantee	1.213.109	822.037
Letters of Guarantee Given to Customs Offices	475.174	457.444
Other Letters of Guarantee	7.815.900	5.931.237
Total	**17.568.323**	**14.518.866**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	**3.381.778**	**2.315.378**
Less Than or Equal to One Year with Original Maturity	789.163	681.540
More Than One Year with Original Maturity	2.592.615	1.633.838
Other Non-Cash Loans	**20.261.959**	**16.999.671**
Total	**23.643.737**	**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	**38.209**	**0,39**	**25.769**	**0,19**	**44.952**	**0,51**	**2.855**	**0,03**
Farming and Raising Livestock	34.437	0,35	2.532	0,02	40.054	0,45	-	-
Forestry	2.477	0,03	-	-	2.375	0,03	-	-
Fishing	1.295	0,01	23.237	0,17	2.523	0,03	2.855	0,03
Manufacturing	**1.482.672**	**15,26**	**7.394.470**	**53,09**	**1.261.085**	**14,27**	**4.430.301**	**42,29**
Mining and Quarrying	47.280	0,49	26.185	0,19	48.598	0,55	36.769	0,35
Production	1.250.710	12,87	6.709.101	48,17	990.927	11,21	3.888.686	37,12
Electricity, gas and water	184.682	1,90	659.184	4,73	221.560	2,51	504.846	4,82
Construction	**3.075.539**	**31,66**	**1.650.636**	**11,85**	**2.769.132**	**31,33**	**782.143**	**7,47**
Services	**5.004.882**	**51,52**	**4.736.997**	**34,00**	**4.095.605**	**46,33**	**2.555.222**	**24,39**
Wholesale and Retail Trade	2.865.754	29,50	1.385.077	9,94	2.475.606	28,01	954.016	9,11
Hotel, Food and Beverage Services	83.655	0,86	529.733	3,80	75.523	0,85	85.148	0,81
Transportation&Communication	274.599	2,83	991.834	7,12	193.455	2,19	280.352	2,67
Financial Institutions	1.113.673	11,46	969.159	6,96	773.612	8,75	838.847	8,01
Real Estate and Renting Services	9.538	0,10	22	0,00	8.232	0,09	611	0,01
Self Employment Services	230.319	2,37	32.279	0,23	274.603	3,11	36.769	0,35
Educational Services	7.433	0,08	5.331	0,04	6.262	0,07	-	-
Health and Social Services	419.911	4,32	823.562	5,91	288.312	3,26	359.479	3,43
Other	**114.194**	**1,17**	**120.369**	**0,87**	**668.642**	**7,56**	**2.705.112**	**25,82**
Total	**9.715.496**	**100,00**	**13.928.241**	**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	9.578.916	7.835.747	117.322	24.083
Bill of Exchange and Acceptances	6.967	4.076.671	-	4.252
Letters of Credit	36	1.961.455	-	26.033
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**9.585.919**	**13.873.873**	**117.322**	**54.368**

(*) Does not include non-cash loans amounting to TL 12.255, for which 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 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)	**158.134.489**	**121.722.064**
Forward transactions (*)	21.409.872	13.453.085
Swap transactions	114.703.228	100.407.541
Futures transactions	106.440	209.931
Option transactions	21.914.949	7.651.507
Interest Related Derivative Transactions (II)	**26.391.060**	**20.280.668**
Forward rate transactions	-	-
Interest rate swap transactions	26.391.060	20.280.668
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	**852.536**	**628.716**
A. Total Trading Derivative Transactions (I+II+III)	**185.378.085**	**142.631.448**
Types of hedging transactions		
Fair value hedges	22.153.939	19.147.014
Cash flow hedges	41.598.617	35.382.276
Net investment hedges	-	-
B. Total Hedging Related Derivatives	**63.752.556**	**54.529.290**
Total Derivative Transactions (A+B)	**249.130.641**	**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:

	Forward Buy (**)	Forward Sell(**)	Swap Buy (*)	Swap Sell(*)	Opsiyon Buy	Opsiyon Sell	Futures Buy	Futures Sell	Other
Current Period									
TL	3.522.083	4.590.203	24.378.793	43.861.103	4.844.537	5.850.075	-	-	-
USD	4.214.967	4.992.395	67.296.151	44.926.892	4.423.981	4.378.335	53.220	53.220	852.536
Euro	2.790.044	956.735	10.549.921	11.083.903	1.637.387	757.962	-	-	-
Other	164.706	178.739	2.730.546	19.535	22.672	-	-	-	-
Total	**10.691.800**	**10.718.072**	**104.955.411**	**99.891.433**	**10.928.577**	**10.986.372**	**53.220**	**53.220**	**852.536**

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

	Forward Buy (**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Prior Period									
TL	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 5.288.577 (December 31, 2017 – TL 4.757.337) were subject to hedge accounting by swaps with a nominal of TL 5.596.023 (December 31, 2017 – TL 4.973.074). On June 30, 2018 the net market valuation difference gain amounting to TL 5.211 due to the loss from the loans amounting to TL 408.878 (June 30, 2017 – TL 29.732 gain) , from swaps amounting to TL 414.090 (June 30, 2017 – TL 8.552 loss) 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 209.975 (December 31, 2017 – TL 188.632) have been subject to hedge accounting with swaps with a nominal amount of TL 197.987 (December 31, 2017 – TL 179.136). In 2018 TL 682 net fair valuation difference gain, net of TL 1.527 (June 30, 2017 – TL 2.166 loss) gain from loans and TL 875 (June 30, 2017 – TL 515 gain) gain from swaps has been recorded under “Gains / (loss) from financial derivatives transactions” on accompanying financial statements.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Parent Bank has booked the valuation effect amounting to TL 4.252 (June 30, 2017 – TL 5.474) 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 411,7 million and EUR 75,4 million (December 31, 2017 – USD 371,7 million and EUR 75,4 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On June 30, 2018, the net market valuation difference gain amounting to TL 1.845 due to loss from Eurobonds amounting to TL 47.964 (June 30, 2017 – TL 15.440 gain) and gain from swaps amounting to TL 46.199 (June 30, 2017 – TL 15.797 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 June 30, 2018, TL 442 net fair valuation difference loss, net of TL 5.054 (June 30, 2017 – TL 955 gain) gain from issued bonds and TL 5.497 (June 30, 2017 – TL 808 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 344.518 (December 31, 2017 – TL 343.140) have been subject to hedge accounting with the same amount of swaps. As of June 30, 2018, TL 100 (June 30, 2017 – TL 32 net fair value difference loss) net fair valuation difference gain, net of TL 2.456 (June 30, 2017 – TL 56 loss) loss from issued bonds and TL 2.556 (June 30, 2017 – TL 24 gain) gain from swaps, has been recorded under “Gain/ (loss) from financial derivatives transactions” on accompanying financial statements.

d) Tangible Assets

The Parent Bank has designated fair value hedge accounting through foreign currency funding to be hedged from fair value changes resulting from currency changes in real estate property which has been bought in foreign currency and has a market value denominated in foreign currency. Immovable having a carrying value at an amount of USD 380 million is subjected to hedge accounting with securities issued. The Bank has recognized a cumulative amount of TL 701.243 fair value exchange difference income (June 30, 2017 – TL 287.139 foreign exchange difference gain) whose TL 300.692 portion is a fair value exchange difference gain in current period from aforementioned immovable. The aforementioned exchange difference income will be amortized through the economic life of immovable which is the subject of hedging.

e) Borrowings

The Parent Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2017- EUR 30 million) is subjected to hedge accounting with a swap having the same amount. As of June 30, 2018, a net mark to market difference gain at an amount of TL 9 (June 30, 2017- TL 1 loss) sourcing from gain at an amount of TL 740 (June 30, 2017 – TL 697 gain) from aforementioned credit and loss at an amount of TL 730 (June 30, 2017 – TL 698 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 149.988 (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 586 (June 30, 2017 - TL 77 net mark to market difference loss) sourcing from gain at an amount of TL 1.826 (June 30, 2017 – TL 179 gain) from aforementioned credit and loss at an amount of TL 2.412 (June 30, 2017 – TL 102 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 5.210.000 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 106.917 are accounted for under equity during the current period (June 30, 2017 – TL 21.691 gain). The amounts for the ineffective portion of revenues in the amount of TL 19 gain is associated with the income statement (June 30, 2017 – TL 8 gain).

As of the balance sheet date, swaps with a nominal amount of USD 2.646 (December 31, 2017 – USD 2.753 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 309 million (December 31, 2017 – EUR 139 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 381.097 are accounted under equity during the current period (June 30, 2017 – TL 43.361 loss). The gain amounting to TL 2.500 (June 30, 2017 – TL 8 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 5.049 transferred amount from equity to income statement due to ineffectiveness or matured swaps (June 30, 2017 – TL 1.594 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 41.719 are accounted for under equity during the current period (December 31, 2017- TL 11.673). There is gain amount to TL 5 income related to the ineffective portion.

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 447.465 (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 gain of TL 137 (June 30, 2017 – TL 616) before tax is recognized under equity in the current period. The income amounting to TL 21 for the ineffective portion is associated with the income statement (June 30, 2017- None).

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

6. Credit derivatives and risk exposures on credit derivatives

As of June 30, 2018, the Parent Bank has no commitments "Credit Linked Notes" (As of December 31, 2017 - None).

As of June 30, 2018, "Other Derivative Financial Instruments" with nominal amount of USD 165.000.000 (December 31, 2017: USD 165.000.000) are included in Parent Bank's "Swap Interest Sell Transactions." In aforementioned transaction, The Parent Bank is the seller of the protection for USD 165.000.000.

7. Information on contingent liabilities and assets

The Parent Bank has recorded a provision of TL 80.793 (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 June 2018		FITCH June 2018		CI August 2017	
Long-Term Deposit Rating (FC)	Ba3	Long -Term Foreign Currency	BB	Long-Term Foreign Currency	BB+
Long-Term Deposit Rating (TL)	Ba2	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	BBB
Main Credit Evaluation	B1	Long-Term National	AAA(tur)	Financial Strength Appearance	Negative
Adjusted Main Credit Evaluation	Ba2	Appearance	Negative	Support	2
Appearance	Negative	Long-Term Foreign Currency Borrowing	BB		
Long-Term Foreign Currency Borrowing	Ba2	Support	3		
		Financial Capacity Rating	bb-		

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

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**
Interest Income on Loans(*)	**5.196.071**	**619.506**	**3.921.383**	**354.039**
Short-Term Loans	2.168.967	41.808	1.634.403	26.540
Medium and Long-Term Loans	2.977.763	577.698	2.246.338	327.499
Non-Performing Loans	49.341	-	40.642	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total	**5.196.071**	**619.506**	**3.921.383**	**354.039**

(*)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	110.653	218	70.104	122
Foreign Banks	1.198	9.221	1.600	6.390
Foreign Headquarters and Branches	-	-	-	-
Total	**111.851**	**9.439**	**71.704**	**6.513**

(*) The interest income on Required Reserve amounting TL 85.660 excluded from interest income on Banks. (June 30, 2017: TL 45.759).

c) Information on interest income from securities portfolio

	Current Period	
	TL	**FC**
Financial Assets Measured at Fair Value through Profit/Loss	1.985	334
Financial Assets Measured at Fair Value through Other Comprehensive Income	273.133	70.173
Financial Assets Measured at Amortized Cost	284.128	109.563
Total	**559.246**	**180.070**

	Prior Period	
	TL	**FC**
Held-for-Trading Financial Assets	1.539	245
Financial Assets at FVTPL	1.172	34
Investment Securities Available for Sale	193.390	73.319
Investment Securities Held to Maturity	183.136	75.324
Total	**379.237**	**148.922**

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. In this context, as of June 30, 2018, valuation of such assets is made according to estimated annual inflation rate of 9%. If valuation of these securities indexed to the CPI had been done by the reference index valid through June 30, 2018, the Group's Marketable securities valuation differences after tax would be decreased by TL 2,7 million and net profit would be increased by TL 96,2 million to TL 1.309,7 million.

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

None (December 31, 2017 – TL None).

(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	**113.181**	**450.612**	**54.218**	**290.665**
T.R. Central Bank	-	-	-	-
Domestic Banks	65.225	10.259	35.708	8.378
Foreign Banks	47.956	440.353	18.510	282.287
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	**113.181**	**450.612**	**54.218**	**290.665**

(*) 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	17.846	27.245

c) Information on interest expense paid to securities issued:

As of June 30, 2018 the amount paid to securities issued is TL 478.737 (June 30, 2017 – TL 212.875).

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	-	8.686	143	353	-	-	-	9.182
Saving Deposits	-	170.136	1.157.742	64.344	35.270	78.924	-	1.506.416
Public Sector Deposits	-	235	939	84	3	4	-	1.265
Commercial Deposits	-	194.318	193.798	14.599	34.545	47.401	-	484.661
Other Deposits	-	2.874	14.255	2.144	1.758	38	-	21.069
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**-**	**376.249**	**1.366.877**	**81.524**	**71.576**	**126.367**	**-**	**2.022.593**
Foreign Currency								
Deposits	1	20.528	298.446	19.991	22.252	11.295	-	372.513
Bank Deposits	149	29.795	9.030	407	97	-	-	39.478
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	633	-	-	-	-	-	633
Total	**150**	**50.956**	**307.476**	**20.398**	**22.349**	**11.295**	**-**	**412.624**
Grand Total	**150**	**427.205**	**1.674.353**	**101.922**	**93.925**	**137.662**	**-**	**2.435.217**

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	-	30.200	66	-	-	-	-	30.266
Saving Deposits	-	99.876	765.577	39.467	21.586	49.107	-	975.613
Public Sector Deposits	-	239	1.099	199	9	7	-	1.553
Commercial Deposits	-	129.206	199.050	17.493	29.773	21.266	-	396.788
Other Deposits	-	2.662	16.783	1.570	24.009	3.001	-	48.025
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**-**	**262.183**	**982.575**	**58.729**	**75.377**	**73.381**	**-**	**1.452.245**
Foreign Currency								
Deposits	-	14.668	168.157	17.151	7.906	5.796	-	213.678
Bank Deposits	95	25.129	1.591	333	38	-	-	27.186
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	397	-	-	-	-	-	397
Total	**95**	**40.194**	**169.748**	**17.484**	**7.944**	**5.796**	**-**	**241.261**
Grand Total	**95**	**302.377**	**1.152.323**	**76.213**	**83.321**	**79.177**	**-**	**1.693.506**

(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 (*)	91.889	58.731	31.036	31.094

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

f) Information on finance lease expenses

None (June 30, 2017 – None).

g) Information on interest expenses on factoring payables

None (June 30, 2017 – None).

3. Information on dividend income:

	Current Period	Prior Period
Derivative Financial Assets at Fair Value Through Profit or Loss	807	240
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Other	2.787	116
Total	**3.594**	**356**

4. Information on trading income/loss

	Current Period	Prior Period
Trading Gain	**8.528.755**	**5.453.745**
Trading account gain	28.870	19.813
Gain from derivative transactions	5.598.871	2.557.242
Foreign exchange gain/losses	2.901.014	2.876.690
Trading Loss (-)	**9.221.709**	**6.053.588**
Losses on Capital Market Operations	19.385	14.470
Derivative Financial Instruments	5.585.675	3.154.907
Foreign Exchange Losses	3.616.649	2.884.211
Net Trading Income/Loss	**(692.954)**	**(599.843)**

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	**545.848**
12 Month Expected Credit Loss (Stage I)	(106.055)
Significant Increase in Credit Risk (Stage 2)	251.707
Lifetime ECL Impaired Credits (Stage 3)	400.196
Marketable Securities Impairment Provision	**4.503**
Financial Assets Measured at Fair Value Through Profit/Loss	2.511
Financial Assets Measured at Other Comprehensive Income	1.992
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	**-**
Investment in Associates	-
Subsidiaires	-
Joint Ventures	-
Other	**43.885**
Total	**594.236**

	Prior Period
Specific Provisions For Loans and Other Receivables	**474.485**
Loans and Receivables in Group III	147.717
Loans and Receivables in Group IV	58.737
Loans and Receivables in Group V	268.031
Other Provisions for Closely Monitored Loans	**(25.615)**
General Provisions	**72.729**
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	**(652)**
Total	**520.947**

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

7. Information on other operating expenses

	Current Period	Prior Period
Personnel expenses(*)	716.475	657.819
Reserve for employee termination benefits(*)	10.038	3.179
Bank social aid fund deficit provision	-	-
Impairment expenses on tangible fixed asset	-	-
Depreciation expenses on intangible fixed asset	68.720	70.763
Impairment expenses on intangible fixed asset	-	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible asset	58.660	56.427
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	592.534	537.828
Operational Leasing expenses	*114.462*	*112.400*
Maintenance expenses	*77.484*	*70.819*
Advertiesment expenses	*64.495*	*62.855*
Other expenses	*336.093*	*291.754*
Loss on sales of assets	2	87
Other (**)	248.134	193.548
Total	**1.694.563**	**1.519.651**

(*) "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 5.605 (June 30, 2017: TL 13.115) 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 June 30, 2018, net interest income of TL 3.456.144 (June 30, 2017 – TL 2.841.611), net fees and commission income of TL 1.033.283 (June 30, 2017 – TL 861.267) and other operating income of TL 36.327 (June 30, 2017 – TL 35.324) 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 June 30, 2018, the Group recorded current tax charge of TL 447.877 (June 30, 2017 - TL 203.581 current tax charge) and a deferred tax charge of TL 114.736 (June 30, 2017 – TL 24.371 deferred tax gain).

	Current Period	Prior Period
Current Tax Provision	(447.877)	(203.581)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/Expense	114.736	(24.371)
Total	**(333.141)**	**(227.952)**

9.2. Explanations on operating profit/loss after taxes

None (June 30, 2017 – None).

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

Net profit of the Group from continued operations is TL 1.237.120 (June 30, 2017 – TL 895.501).

(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 (June 30, 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	415	313

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.

V Explanations And Disclosures Related To Consolidated Change in Shareholders’ Equity

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

VI. Explanations And Disclosures Related To Consolidated Cash Flows Statement

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

(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 period end and income and expenses in the current period

1.1. As of June 30, 2018, the Parent Bank's risk group has deposits amounting to TL 534.563 (December 31, 2017 – TL 640.640), cash loans amounting to TL 312 (December 31, 2017 – TL 146) and non-cash loans amounting to TL 15.922 (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	-	13.651	167	-	145	2.271
Interest and Commission Income	-	72	-	20	16	20

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 (**)	-	59	-	-	57	14

(*) As described in the Article 49 of Banking Law No 5411.
(**) Prior Period represents June 30, 2017 balance.

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	343.784	470.334	-	-	190.779	170.306
Interest on deposits (**)	17.846	27.245	-	-	10.394	5.311

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

(**) Prior Period represents June 30, 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 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	-	-	-	-	-	-
Total Income/Loss(**)	-	(6.594)	37	-	-	57
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.

(**) Prior Period represents June 30, 2017 balance.

1.4 Information on benefits provided for Key Management

As of June 30, 2018, the total amount of remuneration and bonuses paid to key management of the Group is TL 76.479 (June 30, 2017- TL 71.938).

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 June 30, 2018, the rate of cash loans of the risk group divided by to total loans is 0%; (December 31, 2017 – 0%); the deposits represented 0,7% (December 31, 2017 – 0,9%) The ratio of total derivative transactions with derivatives risk 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 Parent 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. Other explanations related to the Group's operations

1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements

2. The Bank, made a discounted bond issuance; on July 4, 2018 at a nominal amount of TL 117.554 along with an interest rate of 18,85% maturing in 43 days, a discounted bond issuance on July 5, 2018 at a nominal amount of TL 52.745 with an interest rate of 18,66% maturing in 62 days, a bond issuance with coupon payments on July 6, 2018 at a nominal amount of TL 52.120 with an interest rate 19,25% maturing in 98 days. A discounted bond issuance on July 12, 2018 at a nominal amount TL 283.200 with an interest rate of 18,84% maturing in 89 days, a discounted bond issuance on July 13, 2018 at a nominal amount of TL 96.000 with an interest rate of 19,15% maturing 84 days and a discounted bond on July 13, 2018 at a nominal amount of TL 70.000 with an interest rate 19,04% maturing in 88 days and a discounted bond issuance on July 20, 2018 at a nominal amount of TL 57.000 with an interest rate of 19,15% maturing 105 days, July 26, 2018 at a nominal amount of TL 177.000 with an interest rate of 18,89% maturing 81 days, July 27, 2018 at a nominal amount of TL 169.120 with an interest rate of 19,15% maturing 105 days.

   The administrative penalty amounting to TL 43.569 was given to the Bank by the Ministry of Customs and Commerce and the penalty was paid as TL 32.677 by deducting the article 17 of the Misdemeanor Law No. 5326 and the cancellation case was filed by the Bank against the bank in Istanbul 12th Administrative Court It was announced. As a result of the cancellation case filed by the Bank; the court has decided to cancel the court case in favor of the Bank, with the record of the appeal phase being reserved.

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 SIX

INDEPENDENT AUDITOR'S LIMITED REPORT

I. Explanations on Independent Limited Review Report

The consolidated financial statements for the period ended June 30, 2018 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's limited report dated July 27, 2018 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2017 – None).

SECTION SEVEN

CONSOLIDATED INTERIM ACTIVITY REPORT

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

Message by the Chairman

Dear Partners,

As the robust growth trend in global economy carried on in the first six months of 2018, the risk for trade wars rose notably, caused by large economies, prominently the US, focusing on protective policies. Faced by this risk, IMF revised its growth estimates for the US and EU countries.

IMF released its World Economic Outlook report as revised in July with the title “Less Even Expansion and Rising Trade Tensions”. Pointing to the possible serious consequences of large economies’ mutual protective policies and retaliations, the report made the evaluation that “These actions could derail the recovery and depress medium-term growth prospects, both through their direct impact on resource allocation and by raising uncertainty and taking a toll on investment”.

IMF Managing Director Christine Lagarde announced the results of the report IMF issued with protective policies in the G20 Meeting for Finance Ministers and Central Bank Presidents. According to the report, protectionist trade policies and potential retaliatory measures may leave an impact on global GDP to the extent of causing a drop by 0.5 points.

Another factor that may affect international markets in the upcoming period could be the inflation outlook. The strong trend in demand conditions combined with quickening inflation may push the central banks of developed countries to position their policy more aggressively than anticipated.

Having closed 2017 with a growth above expectations, Turkey seems to maintain the same momentum in the first quarter of 2018 in economy. In Q1 of this year, Turkish economy performed a growth of 7.4 percent in parallel with the overall growth rate achieved throughout 2017.

IMF’s World Economic Outlook Report released in July stated that financial conditions tightened for some economies with external deficits—notably Turkey, where growth is projected to be 4.2 percent this year. IMF had projected a growth rate of 4.4 percent in its report released in April.

We think that the stress on financial markets will ease in the second half of the year, with elections having been already completed and the government’s positive signals for macroeconomic policies to be implemented in the upcoming period. Economy Plan expected to be announced in September will also signal some developments in economy for us in the upcoming period.

In the banking sector, the contributions by KGF (Credit Guarantee Fund) slowed down in Q1 2018 compared to the previous year, while credit growth started to normalize.

As QNB Finansbank, we have maintained our above-the-sector growth also in the first half of the year. As of June 30, 2018, our total assets grew by 19 percent compared to year-end results, reaching 155 billion 633 million TL, while our net period profit was 1 billion 237 million TL as of June 2018.

Compared to the end of 2017, our bank’s performing loans increased by 14 percent to TRY 92 billion 761 million and our customer deposits by 13 percent to TRY 73 billion 554 million. Total equities of QNB Finansbank reached TRY 13 billion 489 million with a 9-percent increase as per 2017 year-end figures.

We channeled our intensive efforts in the banking sector to social efforts as well in the first half of 2018. “Young Talents Project” that ÇEV Art runs with QNB Finansbank’s sponsorship went global. In order to support the youth in the project, Çev Art signed a partnership agreement with Villa Musica, Germany’s leading classical music foundation.

We keep supporting art, an indispensable component of modern and developed societies. Modern ceramics by Alev Ebüzziya Siesbye, a world-wide known ceramic artist, and local earthenware from the collection of Prof. Dr. Hüsamettin Koçan started to be exhibited in Bayburt Baksı Museum between 19 June and 21 October 2018, with QNB Finansbank’s support.

We will continue to announce good news on the new efforts we will undertake to prepare our children and youth for the future in the second half of 2018.

I would like to express my thanks to all my financier colleagues and stakeholders for their contributions to make us grow even further by undertaking significant achievements in the first half of 2018.

Message by the General Manager

Dear Shareholders and Board Members,

As QNB Finansbank, we have concluded the first 6 months with a considerable growth following a momentum above the sector once again, driven by the growth in Turkish economy.

As of 30 June 2018, our total assets grew by 19 percent compared to year-end results, reaching 155 billion 633 million TL, while our net period profit was 1 billion 237 million TL as of June 2018.

Compared to the end of 2017, our bank's performing loans increased by 14 percent to TRY 92 billion 761 million and our customer deposits by 13 percent to TRY 73 billion 554 million. In the first six months of 2018, our net interest income increased by 22 percent compared to the same period of previous year and reached TRY 3 billion 456 million, and our net fee and commission income increased by 19 percent and reached TRY 1 billion 33 million. Total equities of QNB Finansbank reached TRY 13 billion 489 million with a 9-percent increase as per 2017 year-end figures.

We are expecting a normalization in the loan growth for this year, in the aftermath of the high loan growth figures achieved in the banking sector in 2017. We anticipate that the banking sector will keep growing mainly in the field of corporate credits. Indeed, precautions taken as part of macro policies to incentivize exports support our anticipation. Our appetite to grow in corporate credits will continue as we focus on our risk-related costs in parallel with the overall growth in the sector. With the uncertainty dissipating after the elections and the government's positive statements on monetary discipline, we also prospect a relief in the markets and banking sector.

The number of customers for Enpara.com, Turkey's first branchless digital bank launched by QNB Finansbank, reached 1 million. Having introduced a credit card product without maintenance fee to costless banking services, Enpara.com keeps growing rapidly.

In Q2 of 2018, we also continued to sign new finance agreements that underscore the trust for Turkish economy and QNB Finansbank in international markets. In May, we extended the term for a 3-year-term finance agreement worth 200 million dollars, which we obtained from one of the world's leading banks in last year's April, by 14 months, and obtained one additional financing in the amount of 105 million 500 thousand with a term of 3 years under the same conditions.

Driven by all these achievements we reached, we were granted six awards by global economy and finance magazine EMEA Finance in 2017 Project Finance Awards and Achievement Awards, thanks to our financing efforts provided to Northern Marmara Highway Asia and Europe Side, Piazza Shopping Mall and Bilkent Laboratory PPP projects.

In 2018, we have kept working guided by our aim to transform such achievement we reached thanks to our financiers in the banking sectors into social contribution. As we prepare for the future, we will stand by our children and touch thousands of kids in many areas through our Small Hands Big Dreams platform.

Children will continue to be our focal point in our corporate social responsibility projects. Together with our volunteering financiers, we will execute new projects that support children's and youth's creativity and analytical thinking in the upcoming period as well. Our "Little Fingers Programming the Future" project, which is run in collaboration with Microsoft Turkey and Habitat Foundation, is ongoing at full speed, where we provide children with coding courses. Our aim is to reach 20 thousand children. We are preparing to introduce our kids with new projects that boost analytical thinking.

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

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

Summary Consolidated Financials Belonging to the Period of June 30, 2018

Principal Financial Indicators (Million TL)	**June 30, 2018**	**December 31, 2017**
Total Loans	92.761	82.439
Securities	17.932	15.608
Total Assets	155.633	131.195
Customer Deposits	73.554	65.198
Equity	13.489	12.428

	June 30, 2018	**June 30, 2017**
Net Interest Income	3.456	2.842
Net Fee and Commission Income	1.033	861
Provision for Loans and Other Receivables (-)	594	521
Profit Before Tax	**1.570**	**1.123**
Tax Provision	333	228
Net Profit for the Period	**1.237**	**896**

As of June 30, 2018 total assets of the Group increased by 19% and realized TL 155 billion and 633 million. When compared with the end of year 2017, performing loans increased by 14% and reached TL 92 billion and 761 million while Customer Deposits increased by 13% and reached up to TL 73 billion and 554 million.

When compared with the first six-month of year 2017, net interest income grew 22% and reached TL 3 billion 456 million in the six-month period of the year 2018. Net fees and commission income increased by 20% and reached TL 1 billion 33 million. Consolidated profit of the Group before tax reached TL 1 billion 570 million and the consolidated net profit for the first six month came in at TL 1 billion 237 million.

When compared with the end of year 2017, total consolidated shareholders' equity increased by 9% and reached up to TL 13 billion 489 million. As of June 30, 2018 capital adequacy ratio of the Group was 14,35%.

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

Assets

The Parent Bank maintained its customer-oriented activities during year 2018 and continued to grow mainly in corporate banking and commercial loans. When compared with the end of year 2017 total consolidated performing loans increased by 14% and reached TL 92 billion and 761 million in 2018 while total consolidated assets increased by 19% and reached TL 155 billion and 633 million. The Bank has maintained developing of corporate based loans (Corporate, Commercial and SMEs) which the Bank has focused strategically during 2018 and corporate based loans has increased by 16%.

Liabilities

Total customer deposits of the Group increased by 13% and reached TL 73 billion and 554 million and shareholders' equity increased by 9% and reached TL 13 billion and 489 million.

Profitability

Net interest income increased by 22% and reached TL 3 billion and 456 million and net fees and commission income increased by 20% and reached TL 1 billion 33 million. Profit before tax of the Parent Bank reached TL 1 billion 570 million and the net profit for the period reached TL 1 billion 123 million.

Solvency:

Due to its strong capital structure and high shareholders' equity profitability, the Parent Bank has a sound financial structure. Parent Bank has been utilizing of its capital efficiently for it banking activities and it maintains its profitability of shareholders' equity. When taking into consideration of its funding structure; Parent Bank is funding its credit facilities both by its large basis of deposits as well as by utilization of long-term external sources. Parent Bank has a quite great cost advantage due to benefiting from such various funding resources and at the same time it is minimizing the risks probable to occur due to 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 it received from the independent rating firms.

General Grants realized during the Period:

General grants realized as of June 30, 2018 was TL 213.