QNB FİNANSBANK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT, CONSOLIDATED FINANCIAL STATEMENTS, NOTES AND CONSOLIDATED INTERIM ACTIVITY REPORT FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 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 September 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 nine-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 September 30, 2018 and of the results of its operations and its cash flows for the nine 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

October 26, 2018
Istanbul, Turkey

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

- GENERAL INFORMATION ABOUT THE 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 nine month period then ended September 30, 2018, are prepared and independently limited reviewed in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and 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

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

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

(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
Cumhur Türkmen	Executive Vice President	June 11,2018	Graduate
Ahmet Erzengin	Head of the Department of Internal Control and Compliance	September 12,2012	Graduate
Bülent Yurdalan	Head of Department of Internal Systems	August 6,2013	Graduate
Ersin Emir	Head of Internal Audit	February 18,2011	Masters
Zeynep Aydın Demirkıran	Head of Risk Management	September 16,2011	Masters

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

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

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

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

The Parent Bank’s activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets, securities operations and credit card operations. In addition, the Parent Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of September 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 September 30, 2018, the Group has 12.552 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

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

I. CONSOLIDATED BALANCE SHEET – ASSETS

				Reviewed 30.09.2018	
		Section 5 Part I	TL	FC	TOTAL
I.	**FINANCIAL ASSETS (Net)**		**36.351.297**	**34.145.223**	**70.496.520**
1.1	**Cash and Cash Equivalents**		**2.216.435**	**22.835.617**	**25.052.052**
1.1.1	Cash and Balances with The Central Bank	(1)	1.935.787	20.962.061	22.897.848
1.1.2	Banks	(3)	13.019	1.873.556	1.886.575
1.1.3	Receivables From Money Market	(4)	267.629	-	267.629
1.2	**Financial Assets Measured at Fair Value through Profit/Loss**	**(2)**	**55.852**	**23.109**	**78.961**
1.2.1	Public Sector Debt Securities		25.539	23.109	48.648
1.2.2	Equity Securities		-	-	-
1.2.3	Other Financial Assets		30.313	-	30.313
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income**	**(5)**	**4.305.685**	**4.327.482**	**8.633.167**
1.3.1	Public Sector Debt Securities		4.299.055	4.154.122	8.453.177
1.3.2	Equity Securities		4.912	148.782	153.694
1.3.3	Other Financial Assets		1.718	24.578	26.296
1.4	**Financial Assets Measured at Amortized Cost**	**(8)**	**6.978.512**	**5.573.680**	**12.552.192**
1.4.1	Public Sector Debt Securities		6.978.512	4.605.317	11.583.829
1.4.2	Other Financial Assets		-	968.363	968.363
1.5	**Derivative Financial Assets**	**(13)**	**22.872.457**	**1.385.335**	**24.257.792**
1.5.1	Derivative Financial Assets at Fair Value Through Profit/Loss		17.743.519	1.128.652	18.872.171
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		5.128.938	256.683	5.385.621
1.6	**Non Performing Financial Assets**		**-**	**-**	**-**
1.7	**Expected Credit Losses (-)**		**77.644**	**-**	**77.644**
II.	**LOANS (Net)**	**(6)**	**69.449.808**	**38.311.922**	**107.761.730**
2.1	**Loans**		**68.604.532**	**33.496.746**	**102.101.278**
2.1.1	Loans Measured at Amortized Cost		68.604.532	33.496.746	102.101.278
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)**	**1.571.057**	**4.691.305**	**6.262.362**
2.2.1	Financial Lease Receivables		2.097.582	5.324.810	7.422.392
2.2.2	Operational Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		526.525	633.505	1.160.030
2.3	**Factoring Receivables**	**(7)**	**905.564**	**75.043**	**980.607**
2.3.1	Factoring Receivables Measured at Amortized Cost		905.564	75.043	980.607
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**		**5.291.797**	**164.579**	**5.456.376**
2.5	**Expected Credit Losses (-)**		**6.923.142**	**115.751**	**7.038.893**
2.5.1	12-Month Expected Loss Provision (Stage 1)		1.098.521	6.522	1.105.043
2.5.2	Significant Increase in Credit Risk (Stage 2)		1.706.312	22.093	1.728.405
2.5.3	Default (Stage 3)		4.118.309	87.136	4.205.445
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	**(16)**	**-**	**-**	**-**
3.1	Held for sale		-	-	-
3.2	Discontinued Operations		-	-	-
IV.	**INVESTMENTS (Net)**		**175.365**	**-**	**175.365**
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)**	**131.329**	**-**	**131.329**
4.3.1	Equity method associates		128.529	-	128.529
4.3.2	Unconsolidated		2.800	-	2.800
V.	**TANGIBLE ASSETS (Net)**		**2.786.591**	**108**	**2.786.699**
VI.	**INTANGIBLE ASSETS (Net)**		**362.462**	**-**	**362.462**
6.1	Goodwill		-	-	-
6.2	Others		362.462	-	362.462
VII.	**INVESTMENT PROPERTIES (Net)**	**(14)**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**	**(15)**	**4.773**	**-**	**4.773**
IX.	**DEFERRED TAX ASSET**	**(15)**	**813.878**	**-**	**813.878**
X.	**OTHER ASSETS**	**(17)**	**2.048.381**	**3.723.030**	**5.771.411**
	TOTAL ASSETS		**111.992.555**	**76.180.283**	**188.172.838**

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.

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF BALANCE SHEET
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 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**

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

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

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

				Reviewed 30.09.2018	
		Section 5 Part II	TL	FC	TOTAL
I.	**DEPOSITS**	**(1)**	**37.712.488**	**51.381.692**	**89.094.180**
II.	**FUNDS BORROWED**	**(3)**	**1.435.172**	**26.561.189**	**27.996.361**
III.	**MONEY MARKET BORROWINGS**	**(4)**	**1.764.763**	**5.867.371**	**7.632.134**
IV.	**SECURITIES ISSUED (NET)**	**(5)**	**3.786.937**	**8.898.055**	**12.684.992**
4.1	Bills		3.048.047	-	3.048.047
4.2	Asset Backed Securities		436.650	-	436.650
4.3	Bonds		302.240	8.898.055	9.200.295
V.	**FUNDS**		**-**	**-**	**-**
5.1	Borrowers' Funds		-	-	-
5.2	Others		-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS (NET)**		**-**	**-**	**-**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**11.708.541**	**1.497.490**	**13.206.031**
7.1	Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net)	(2)	11.681.593	1.302.846	12.984.439
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	26.948	194.644	221.592
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)**	**749.374**	**-**	**749.374**
10.1	Restructuring Provisions		-	-	-
10.2	Reserve for Employee Benefits		394.945	-	394.945
10.3	Insurance Technical Provisions (Net)		-	-	-
10.4	Other Provisions		354.429	-	354.429
XI.	**CURRENT TAX LIABILITY**	**(10)**	**678.272**	**-**	**678.272**
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)**	**-**	**5.647.169**	**5.647.169**
14.1	Subordinated Loans		-	5.647.169	5.647.169
14.2	Other Debt Instruments		-	-	-
XV.	**OTHER LIABILITIES**		**3.861.054**	**12.221.977**	**16.083.031**
XVI.	**SHAREHOLDERS' EQUITY**		**14.818.915**	**(417.621)**	**14.401.294**
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		(67.148)	68.150	1.002
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		846.727	(485.771)	360.956
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		1.900.702	-	1.900.702
16.6.1	Prior Periods' Profit/Loss		-	-	-
16.6.2	Current Period's Net Profit/Loss		1.900.702	-	1.900.702
16.7	Minority Interest		6.850	-	6.850
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**76.515.516**	**111.657.322**	**188.172.838**

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

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

				Reviewed 30.09.2018	
		Section 5 Part III	TL	FC	TOTAL
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**147.489.749**	**220.074.071**	**367.563.820**
I.	**GUARANTEES**	**(1),(2),(3),(4)**	**9.375.490**	**17.550.267**	**26.925.757**
1.1.	Letters of guarantee		9.362.871	10.224.243	19.587.114
1.1.1.	Guarantees subject to State Tender Law		373.832	47.999	421.831
1.1.2.	Guarantees given for foreign trade operations		4.639.033	10.176.244	14.815.277
1.1.3.	Other letters of guarantee		4.350.006	-	4.350.006
1.2.	Bank loans		11.812	5.226.996	5.238.808
1.2.1.	Import letter of acceptance		11.812	5.226.996	5.238.808
1.2.2.	Other bank acceptances		-	-	-
1.3.	Letters of credit		807	2.099.028	2.099.835
1.3.1.	Documentary letters of credit		807	1.925.760	1.926.567
1.3.2.	Other letters of credit		-	173.268	173.268
1.4.	Prefinancing given as guarantee		-	-	-
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2.	Other endorsements		-	-	-
1.6.	Securities issue purchase guarantees		-	-	-
1.7.	Factoring guarantees		-	-	-
1.8.	Other guarantees		-	-	-
1.9.	Other collaterals		-	-	-
II.	**COMMITMENTS**		**62.402.267**	**3.368.982**	**65.771.249**
2.1.	Irrevocable commitments	(1)	36.627.634	3.123.905	39.751.539
2.1.1.	Forward asset purchase commitments		503.996	2.580.233	3.084.229
2.1.2.	Forward deposit purchase and sales commitments		-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-
2.1.4.	Loan granting commitments		11.136.626	608	11.137.234
2.1.5.	Securities underwriting commitments		-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Payment commitment for checks		2.382.433	-	2.382.433
2.1.8.	Tax and fund liabilities from export commitments		24.862	-	24.862
2.1.9.	Commitments for credit card expenditure limits		21.787.550	-	21.787.550
2.1.10.	Commitments for promotions related with credit cards and banking activities		28.226	-	28.226
2.1.11.	Receivables from short sale commitments		-	-	-
2.1.12.	Payables for short sale commitments		-	-	-
2.1.13.	Other irrevocable commitments		763.941	543.064	1.307.005
2.2.	Revocable commitments		25.774.633	245.077	26.019.710
2.2.1.	Revocable loan granting commitments		25.700.700	-	25.700.700
2.2.2.	Other revocable commitments		73.933	245.077	319.010
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(5), (6)**	**75.711.992**	**199.154.822**	**274.866.814**
3.1	Derivative financial instruments for hedging purposes		19.075.470	53.681.100	72.756.570
3.1.1	Fair value hedge		5.693.493	19.277.697	24.971.190
3.1.2	Cash flow hedge		13.381.977	34.403.403	47.785.380
3.1.3	Hedge of net investment in foreign operations		-	-	-
3.2	Held for trading transactions		56.636.522	145.473.722	202.110.244
3.2.1	Forward foreign currency buy/sell transactions		4.502.142	8.045.369	12.547.511
3.2.1.1	Forward foreign currency transactions-buy		2.156.835	4.121.908	6.278.743
3.2.1.2	Forward foreign currency transactions-sell		2.345.307	3.923.461	6.268.768
3.2.2	Swap transactions related to foreign currency and interest rates		44.923.606	126.761.279	171.684.885
3.2.2.1	Foreign currency swap-buy		18.119.554	44.046.434	62.165.988
3.2.2.2	Foreign currency swap-sell		26.804.052	35.931.087	62.735.139
3.2.2.3	Interest rate swaps-buy		-	23.391.879	23.391.879
3.2.2.4	Interest rate swaps-sell		-	23.391.879	23.391.879
3.2.3	Foreign currency, interest rate and securities options		7.203.164	9.503.301	16.706.465
3.2.3.1	Foreign currency options-buy		3.140.259	5.373.899	8.514.158
3.2.3.2	Foreign currency options-sell		4.062.905	4.129.402	8.192.307
3.2.3.3	Interest rate options-buy		-	-	-
3.2.3.4	Interest rate options-sell		-	-	-
3.2.3.5	Securities options-buy		-	-	-
3.2.3.6	Securities options-sell		-	-	-
3.2.4	Foreign currency futures		7.610	282.869	290.479
3.2.4.1	Foreign currency futures-buy		7.418	137.963	145.381
3.2.4.2	Foreign currency futures-sell		192	144.906	145.098
3.2.5	Interest rate futures		-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-
3.2.6	Other		-	880.904	880.904
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**723.114.823**	**193.652.880**	**916.767.703**
IV.	**ITEMS HELD IN CUSTODY**		**61.897.890**	**7.917.714**	**69.815.604**
4.1.	Assets under management		2.534.342	10.389	2.544.731
4.2.	Investment securities held in custody		21.262.724	2.571.321	23.834.045
4.3.	Checks received for collection		5.558.805	821.700	6.380.505
4.4.	Commercial notes received for collection		1.466.080	438.016	1.904.096
4.5.	Other assets received for collection		-	-	-
4.6.	Assets received for public offering		-	-	-
4.7.	Other items under custody		31.075.939	4.076.288	35.152.227
4.8.	Custodians		-	-	-
V.	**PLEDGED ITEMS**		**400.022.688**	**112.614.010**	**512.636.698**
5.1.	Marketable securities		2.404.257	9.882.503	12.286.760
5.2.	Guarantee notes		434.686	179.210	613.896
5.3.	Commodity		62.690	-	62.690
5.4.	Warranty		-	-	-
5.5.	Properties		89.364.926	63.645.450	153.010.376
5.6.	Other pledged items		307.756.129	38.906.847	346.662.976
5.7.	Pledged items-depository		-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		261.194.245	73.121.156	**334.315.401**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**870.604.572**	**413.726.951**	**1.284.331.523**

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CONSOLIDATED STATEMENT OF OFF BALANCE SHEET
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2018

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

II. 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**

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

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

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

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

III. CONSOLIDATED INCOME STATEMENT

		Section Five Part IV	Reviewed 01.01 - 30.09.2018	Reviewed 01.07 - 30.09.2018
I.	**INTEREST INCOME**	**(1)**	**11.819.102**	**4.681.826**
1.1	Interest income on loans		9.602.771	3.787.194
1.2	Interest income on reserve deposits		140.463	54.803
1.3	Interest income on banks		166.122	44.832
1.4	Interest income on money market transactions		35.346	6.064
1.5	Interest income on securities portfolio		1.303.039	563.723
1.5.1	Financial assets measured at FVTPL		2.670	351
1.5.2	Financial assets measured at FVOCI		565.459	222.153
1.5.3	Financial assets measured at amortized cost		734.910	341.219
1.6	Financial lease income		362.023	144.051
1.7	Other interest income		209.338	81.159
II.	**INTEREST EXPENSE (-)**	**(2)**	**6.265.539**	**2.584.407**
2.1	Interest on deposits		4.166.649	1.731.432
2.2	Interest on funds borrowed		1.010.395	446.602
2.3	Interest on money market transactions		291.801	109.865
2.4	Interest on securities issued		783.275	304.538
2.5	Other interest expenses		13.419	(8.030)
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**5.553.563**	**2.097.419**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**1.583.612**	**550.329**
4.1	Fees and commissions received		1.960.122	707.427
4.1.1	Non-cash loans		80.032	29.613
4.1.2	Others		1.880.090	677.814
4.2	Fees and commissions paid (-)		376.510	157.098
4.2.1	Non-cash loans		1.182	374
4.2.2	Others		375.328	156.724
V.	**PERSONNEL EXPENSES (-)**	**(7)**	**1.116.702**	**390.189**
VI.	**DIVIDEND INCOME**	**(3)**	**4.255**	**661**
VII.	**NET TRADING INCOME/LOSS (Net)**	**(4)**	**(921.442)**	**(228.488)**
7.1	Trading account gain/losses		15.929	6.444
7.2	Gain/losses from derivative transactions		1.183.756	1.170.560
7.3	Foreign exchange gain/losses		(2.121.127)	(1.405.492)
VIII.	**OTHER OPERATING INCOME**	**(5)**	**56.799**	**20.472**
IX.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII+VIII)**		**5.160.085**	**2.050.204**
X.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**1.282.911**	**688.675**
XI.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**1.513.213**	**545.163**
XII.	**NET OPERATING PROFIT/LOSS (IX-X-XI)**		**2.363.961**	**816.366**
XIII.	**INCOME RESULTED FROM MERGERS**		**-**	**-**
XIV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**33.509**	**10.843**
XV.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**
XVI.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+…+XV)**	**(8)**	**2.397.470**	**827.209**
XVII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	**(9)**	**(496.212)**	**(163.071)**
17.1	Current tax charge		(923.492)	(475.615)
17.2	Deferred tax charge (+)		1.049.468	454.840
17.3	Deferred tax credit (-)		(622.188)	(142.296)
XVIII.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)**	**(10)**	**1.901.258**	**664.138**
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)**	**1.901.258**	**664.138**
24.1	Group's profit/loss		1.900.702	663.997
24.2	Minority interest		556	141
	Earnings Per Share		0,05674	0,01982

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

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

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

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

III. CONSOLIDATED INCOME STATEMENT

		Section 5 Part IV.	Reviewed 01.01 - 30.09.2017	Reviewed 01.07 - 30.09.2017
I.	**INTEREST INCOME**	**(1)**	**8.182.214**	**2.997.690**
1.1	Interest on loans		6.730.578	2.455.156
1.2	Interest received from reserve deposits		77.118	31.359
1.3	Interest received from banks		177.482	99.265
1.4	Interest received from money market placements		53.838	6.613
1.5	Interest received from marketable securities portfolio		808.439	280.280
1.5.1	Held-for-trading financial assets		3.814	2.030
1.5.2	Financial assets at fair value through profit and loss		1.646	440
1.5.3	Available-for-sale financial assets		409.400	142.691
1.5.4	Investments held-to-maturity		393.579	135.119
1.6	Finance lease income		220.753	81.424
1.7	Other interest income		114.006	43.593
II.	**INTEREST EXPENSE**	**(2)**	**3.899.895**	**1.556.982**
2.1	Interest on deposits		2.865.179	1.171.673
2.2	Interest on funds borrowed		548.575	203.692
2.3	Interest on money market borrowings		119.596	44.106
2.4	Interest on securities issued		347.366	134.491
2.5	Other interest expense		19.179	3.020
III.	**NET INTEREST INCOME (I - II)**		**4.282.319**	**1.440.708**
IV.	**NET FEES AND COMMISSIONS INCOME**		**1.315.248**	**453.981**
4.1	Fees and commissions received		1.568.151	557.031
4.1.1	Non-cash loans		60.625	21.374
4.1.2	Other		1.507.526	535.657
4.2	Fees and commissions paid		252.903	103.050
4.2.1	Non-cash loans		1.261	147
4.2.2	Other		251.642	102.903
V.	**DIVIDEND INCOME**	**(3)**	**1.119**	**763**
VI.	**NET TRADING INCOME**	**(4)**	**(936.318)**	**(336.475)**
6.1	Securities trading gains/ (losses)		5.139	(204)
6.2	Gains / (losses)Financial derivative transactions		(913.237)	(315.572)
6.3	Foreign exchange gains/ (losses)		(28.220)	(20.699)
VII.	**OTHER OPERATING INCOME**	**(5)**	**53.954**	**18.630**
VIII.	**NET OPERATING INCOME (III+IV+V+VI+VII)**		**4.716.322**	**1.577.607**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**(6)**	**737.792**	**216.845**
X.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**2.300.312**	**780.661**
XI.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**1.678.218**	**580.101**
XII.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		-	-
XIII.	**GAIN / (LOSS) ON EQUITY METHOD**		**31.234**	**5.898**
XIV.	**GAIN / (LOSS) ON NET MONETARY POSITION**		-	-
XV.	**PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+…+XIV)**	**(8)**	**1.709.452**	**585.999**
XVI.	**TAX CHARGE FOR CONTINUED OPERATIONS (±)**	**(9)**	**(345.283)**	**(117.331)**
16.1	Current income tax charge		(105.059)	98.522
16.2	Deferred tax charge / benefit		(240.224)	(215.853)
XVII.	**NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)**	**(10)**	**1.364.169**	**468.668**
XVIII.	**INCOME ON DISCONTINUED OPERATIONS**		-	-
18.1	Income on assets held for sale		-	-
18.2	Income on sale of associates, subsidiaries and entities under common control		-	-
18.3	Income on other discontinued operations		-	-
XIX.	**LOSS FROM DISCONTINUED OPERATIONS (-)**		-	-
19.1	Loss from assets held for sale		-	-
19.2	Loss on sale of associates, subsidiaries and entities under common control		-	-
19.3	Loss from other discontinued operations		-	-
XX.	**PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)**	**(8)**	-	-
XXI.	**TAX CHARGE FOR DISCONTINUED OPERATIONS (±)**	**(9)**	-	-
21.1	Current income tax charge		-	-
21.2	Deferred tax charge / benefit		-	-
XXII.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)**	**(10)**	-	-
XXIII.	**NET PROFIT/LOSS (XVII+XXII)**	**(11)**	**1.364.169**	**468.668**
23.1	Group's profit/loss		1.363.701	468.513
23.2	Minority shares		468	155
	Earnings per share		0,04071	0,01399

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

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

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

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

		Reviewed 01.01 – 30.09.2018
I.	**CURRENT PERIOD PROFIT/LOSS**	**1.901.258**
II.	**OTHER COMPREHENSIVE INCOME**	**339.485**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**47.763**
2.1.1	Revaluation Surplus on Tangible Assets	-
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	1.492
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	49.311
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(3.040)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**291.722**
2.2.1	Translation Differences	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(708.677)
2.2.3	Gains/losses from Cash Flow Hedges	1.083.415
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	(83.016)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**2.240.743**

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.

		Reviewed 01.01 -30.09.2017
I.	**ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS**	**261.161**
II.	**TANGIBLE ASSETS REVALUATION DIFFERENCES**	**-**
III.	**INTANGIBLE ASSETS REVALUATION DIFFERENCES**	**-**
IV.	**FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS**	**-**
V.	**PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)**	**24.640**
VI.	**PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)**	**-**
VII.	**THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES**	**-**
VIII.	**OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS**	**-**
IX.	**DEFERRED TAX OF VALUATION DIFFERENCES**	**(54.780)**
X.	**TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+…+IX)**	**231.021**
XI.	**PROFIT/LOSS**	**1.364.169**
11.1	Change in fair value of marketable securities (Transfer to Profit/Loss)	3.786
11.2	Reclassification and transfer of derivatives accounted for cash flow hedge purposes recycled to Income Statement	(1.279)
11.3	Transfer of hedge of net investments in foreign operations recycled to Income Statement	-
11.4	Other	1.361.662
XII.	**TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)**	**1.595.190**

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.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 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.-30.09.2017																			
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**		-	-	-	-	-	-	-	-	-	-	**211.309**	-	-	-	-	**211.309**	-	**211.309**
III.	**Marketable securities valuation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	**19.712**	-	**19.712**		**19.712**
IV.	**Hedging funds (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	19.712	-	19.712	-	19.712
4.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Tangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Intangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus shares obtained from associates, subsidiaries and entities under common control**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Foreign exchange differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Disposal of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Reclassification of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Effect of change in associates' equity**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**Capital increase**		**200.000**	-	-	-	-	-	**(200.000)**	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		200.000	-	-	-	-	-	(200.000)	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share premium**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Inflation adjustment to paid-in capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(2)**	**(2)**
XVII.	**Period net income/(loss)**		-	-	-	-	-	-	-	-	**1.363.701**	-	-	-	-	-	-	**1.363.701**	**468**	**1.364.169**
XVIII.	**Profit distribution**		-	-	-	-	**62.637**	-	**1.173.768**	-	-	**(1.236.405)**	-	-	-	-	-	-	-	-
18.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	62.637	-	1.173.768	-	-	(1.236.405)	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing balance (I+II+III+….. +XVI+XVII+XVIII)		**3.350.000**	**-**	**714**	**-**	**550.059**	**-**	**6.815.528**	**(43.654)**	**1.363.701**	**-**	**(208.844)**	**-**	**-**	**65.263**	**-**	**11.892.767**	**6.200**	**11.898.967**

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 NINE MONTH PERIOD THEN ENDED SEPTEMBER 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 – 30.09.2018																	
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**		**-**	**-**	**-**	**-**	**-**	**1.164**	**46.599**	**-**	**(561.225)**	**852.947**	**-**	**-**	**1.900.702**	**2.240.187**	**556**	**2.240.743**
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**	**-**	**-**	**-**	**(67.148)**	**68.150**	**-**	**(723.838)**	**1.084.794**	**8.781.070**	**-**	**1.900.702**	**14.394.444**	**6.850**	**14.401.294**

(*) 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.

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

VI. CONSOLIDATED CASH FLOW STATEMENT

		Section 5 Part VI	Reviewed 01.01 – 30.09.2018
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities (+)**		**8.371.433**
1.1.1	Interest received		9.259.306
1.1.2	Interest paid		5.206.840
1.1.3	Dividend received		4.255
1.1.4	Fees and commissions received		1.961.203
1.1.5	Other income		56.799
1.1.6	Collections from previously written off loans		490.681
1.1.7	Payments to personnel and service suppliers		(2.025.739)
1.1.8	Taxes paid		(538.775)
1.1.9	Other		(6.043.137)
1.2	**Changes in operating assets and liabilities**		**1.800.297**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss		98.834
1.2.2	Net (increase) decrease in due from banks		(751.058)
1.2.3	Net (increase) decrease in loans		(1.888.254)
1.2.4	Net (increase) decrease in other assets		(3.819.061)
1.2.5	Net increase (decrease) in bank deposits		619.059
1.2.6	Net increase (decrease) in other deposits		(912.533)
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		(1.425.945)
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities		9.879.255
I.	**Net cash provided from banking operations (+/-)**		**10.171.730**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from / (used in) investing activities (+/-)**		**(2.329.763)**
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		751.853
2.4	Fixed assets sales		(842.978)
2.5	Purchase of financial assets measured at fair value through other comprehensive income		(2.165.557)
2.6	Sale of financial assets measured at fair value through other comprehensive income		1.158.614
2.7	Purchase of Financial Assets Measured at Amortized Cost		(1.660.300)
2.8	Sale of Financial Assets Measured at Amortized Cost		540.750
2.9	Other		(112.145)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash provided from / (used in) financing activities (+/-)**		**(572.825)**
3.1	Cash obtained from funds borrowed and securities issued		2.668.969
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 (+/-)**		**(594.329)**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**6.674.813**
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)**		**12.762.184**

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 – 30.09.2017
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities (+)**		**3.926.638**
1.1.1	Interest received (+)		7.507.921
1.1.2	Interest paid (-)		(3.410.167)
1.1.3	Dividend received (+)		1.119
1.1.4	Fees and commissions received (+)		1.544.012
1.1.5	Other income (+)		43.220
1.1.6	Collections from previously written off loans (+)		725.515
1.1.7	Payments to personnel and service suppliers (-)		(1.821.959)
1.1.8	Taxes paid (-)		(59.058)
1.1.9	Other (+/-)		(603.965)
1.2	**Changes in operating assets and liabilities**		**(4.741.103)**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss (+/-)		(99.647)
1.2.2	Net (increase) decrease in due from banks (+/-)		37.352
1.2.3	Net (increase) decrease in loans (+/-)		(754.055)
1.2.4	Net (increase) decrease in other assets (+/-)		(15.941.024)
1.2.5	Net increase (decrease) in bank deposits (+/-)		(1.916.208)
1.2.6	Net increase (decrease) in other deposits (+/-)		2.886.472
1.2.7	Net (increase) decrease in financial assets measured at fair value through other comprehensive income (+/-)		10.053.189
1.2.8	Net increase (decrease) in funds borrowed (+/-)		2.023.439
1.2.9	Net increase (decrease) in matured payables (+/-)		-
1.2.10	Net increase (decrease) in other liabilities (+/-)		(1.030.621)
I.	**Net cash provided from banking operations (+/-)**		**(814.465)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from / (used in) investing activities (+/-)**		**(924.893)**
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 (-)		(76.921)
2.4	Fixed assets sales (+)		2.779
2.5	Cash paid for purchase of financial assets measured at fair value through other comprehensive income (-)		(1.663.059)
2.6	Cash obtained from sale of financial assets measured at fair value through other comprehensive income (+)		1.606.704
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 (+/-)		(104.557)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash provided from / (used in) financing activities (+/-)**		**2.796.291**
3.1	Cash obtained from funds borrowed and securities issued (+)		3.975.939
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 (+/-)**		**71.998**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**1.128.931**
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)**		**7.038.875**

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 and concluded that standard does not have any significant effect on financial position and performance.

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.

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

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.

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 September 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:

	September 30, 2018	December 31, 2017
US Dollar	TL 6,0752	TL 3,8104
Euro	TL 7,1130	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 September 30, 2018, net foreign exchange transaction income is TL 517.122 (September 30, 2017-TL 128.988 net foreign exchange transaction income) when the net interest expense amounting to TL 1.454.493 (September 30, 2017- TL 1.070.445) arising from derivative transactions is excluded from the derivative transactions income amounting to TL 1.183.756 (September 30, 2017- TL 913.237 derivative transactions loss) and foreign exchange loss amounting to TL 2.121.127 (September 30, 2017- TL 28.220 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 (%) September 30, 2018	Effective Share of the Group (%) 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 September 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 aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

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

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

Financial Assets Measured at Amortized Cost:

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

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

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

VIII. Explanations on Expected Credit Losses:

As of January 1, 2018, the Parent Bank recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 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 expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. Such calculation is performed for each of three scenarios explained above.

Stage 2:

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument’s lifetime expected credit losses. Calculation approach is quite similar with approach mentioned above, but probability of default and loss amount in default ratios estimated for the lifetime of instruments.

Stage 3:

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

- Delay of over 90 days
- Impairment of credit worthiness
- Collateral and / or equity of debtor is inadequate cover the payment of receivables on the maturity.

- If it is convinced that will be delayed by more than 90 days for recovery of receivables due to macroeconomic, sector-specific or customer-specific reasons.

Calculation of expected credit losses

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

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

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

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

Probability of Default ("PD")

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

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

Loss Given Default ("LGD")

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

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

Exposure at Default ("EAD")

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

Consideration of the Macroeconomic Factors

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

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

Stages were determined through the models created using internal information for the Bank, the simplified method has been applied for other financial institutions.

Calculating the Expected Loss Period

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

Significant increase in credit risk

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

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

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

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

IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of financial instruments

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

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

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

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

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

c) Derecognition of financial liabilities

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished—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”.

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 8.565.669 (December 31, 2017– TL 7.631.184).

As of September 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 September 30, 2018 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

3. Transfer Pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing. "The General Communique on Disguised Profit Distribution by way of Transfer Pricing" published on November 18, 2007 explains the application related issues in detail. According to this Communique, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing.

Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

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 September 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.

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.

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

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 – September 30, 2018)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Group**
Net Interest Income	1.615.177	2.102.302	1.836.084	5.553.563
Net Fees and Commissions Income	1.083.487	473.281	26.844	1.583.612
Other Operating Income and Net Trading Income	35.052	162.200	(1.061.895)	(864.643)
Personnel Expense (-)	240.727	374.352	501.623	1.116.702
Dividend Income	-	-	4.255	4.255
Operating Income	**2.492.989**	**2.363.431**	**303.665**	**5.160.085**
Other Operating Expenses (-)	1.108.180	622.094	(217.061)	1.513.213
Expected Loss Provisions (-)	502.489	714.956	65.466	1.282.911
Gain / Loss on joint venture accounted for at equity method	-	-	33.509	33.509
Profit Before Taxes	**882.320**	**1.026.381**	**488.769**	**2.397.470**
Net Profit/Loss	**-**	**-**	**-**	**1.901.258**
Total Assets	**29.877.940**	**77.883.788**	**67.288.871**	**188.172.838**
Segment Assets	29.877.940	77.883.788	67.288.871	175.050.599
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	175.365
Undistributed Assets	-	-	-	12.946.874
Total Liabilities	**54.303.626**	**32.132.201**	**56.619.009**	**188.172.838**
Segment Liabilities	54.303.626	32.132.201	56.619.009	143.054.836
Undistributed Liabilities	-	-	-	30.716.708
Equity	-	-	-	14.401.294
Other Segment Accounts	**244.028**	**128.203**	**(39.574)**	**332.657**
Capital Expenditures	103.782	54.523	(17.165)	141.140
Depreciation and Amortization	140.246	73.680	(22.409)	191.517

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

Prior Period (January 1 - September 30, 2017)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	1.340.582	1.438.216	1.503.521	4.282.319
Net Fees and Commissions Income	829.437	461.912	23.899	1.315.248
Other Operating Income and Net Trading Income	22.246	78.110	(982.720)	(882.364)
Dividend Income	-	-	1.119	1.119
Operating Income	**2.192.265**	**1.978.238**	**545.819**	**4.716.322**
Other Operating Expenses	1.200.187	861.726	238.399	2.300.312
Provision for Loan Losses and Other Receivables	378.359	374.345	(14.912)	737.792
Gain / Loss on joint venture accounted for at equity method	-	-	31.234	31.234
Profit Before Taxes	**613.719**	**742.167**	**353.566**	**1.709.452**
Net Profit/Loss	**-**	**-**	**-**	**1.364.169**
Other Segment Accounts	**172.267**	**114.959**	**33.156**	**320.382**
Capital Expenditures	67.199	44.844	16.713	128.756
Depreciation and Amortization	105.068	70.115	16.443	191.626

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.

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

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	1.900.702	1.363.701
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
Earnings per Share	**0,05674**	**0,04071**

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:

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.

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

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

2. 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 486.511 and corporate tax loss amounting to TL 46.444 which have been cancelled due to TFRS 9 transition, have been reflected to the opening financials of January 1, 2018 and the related amount has been classified under "Extraordinary Reserves" in shareholders' equity.

Before January 1, 2018 securities which was classified as fair value through OCI is now classified as amortized cost with the adoption of TFRS 9 is TL 1.720.595 and securities which was classified as amortized cost is now classified as fair value through OCI with the adoption of TFRS 9 is TL 45.445. Net After tax re-measurement differences of these securities TL 79.836 are classified in Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI. At the same time as of January 1, 2018, the expected loss reserve amounting to TL 8.677 for the securities classified as fair value through other comprehensive income is classified under "Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at Fair Value Other Comprehensive Income".

XXVIII. Explanations on prior period accounting policies not valid for the current period

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

1. Explanations and Disclosures on Financial Assets

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

a) Financial assets at fair value through profit or loss

a.1. Financial assets held for trading

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

a.2. Financial assets at fair value through profit or loss

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

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

The fair value of loans presented under "Financial Assets at Fair Value through Profit or Loss" are determined under current market conditions, taking into consideration the estimated price of a transaction at the measurement date depending on sale of an asset or transfer of a liability between market participants (in other words, exit price at measurement date from the perspective of an owner of an asset or from a debtor'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 uncollectibility of loans, the Parent Bank classifies related loans and receivables in non-performing loans and provides specific provision in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 26333 "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables". The Parent Bank provides specific provision for the loans under follow-up regarding credit risk and other factors, in accordance with the aforementioned regulation. Additionally, the Parent Bank provides general provisions in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 28789 "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" and accounts such provision at the liability side of the balance sheet under general loan loss provision.

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

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

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

e. Derivative instruments

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

In accordance with TAS 39 "Financial Instruments: Recognition and Measurement", derivative instruments are categorized as "hedging purpose" or "trading purpose" transactions. Derivatives are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Assets on Trading Derivatives" ,"Liabilities on Trading Derivatives" or "Assets on Hedging Purpose Derivatives" and "Liabilities on Hedging Purpose Derivatives" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts of derivative transactions presented on the balance sheet, represent the fair value differences based on the valuation.

2. Explanations on Fees and Commission Income and Expenses

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

3. Explanations on Tax Implementation

Deferred tax asset is not provided over general reserve for possible risk and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated December 8, 2004.

4. Explanations on Fees and Commission Income and Expenses

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

5. Explanations on Leasing Transactions

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

6. Explanations on factoring receivables

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

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

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Consolidated Equity:

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks.” As of September 30, 2018 Group’s total capital has been calculated as TL 19.264.132 (December 31, 2017: TL 14.465.489), capital adequacy ratio is 15,52% (December 31, 2017: 14,49%) calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

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

Components of consolidated shareholders’ equity items:

	Current Period September 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	19.679	
Profit	1.900.702	
Current Period Profit	1.900.702	
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	6.850	
Common Equity Tier 1 Capital Before Deductions	**14.059.015**	
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	67.173	
Improvement costs for operating leasing	64.305	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	332.684	332.684
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	**464.162**	
Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption	569.032	
Total Common Equity Tier 1 Capital	**14.163.885**	

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

	Current Period September 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)	**14.163.885**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	3.785.080	
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)	1.381.602	
Tier II Capital Before Deductions	**5.166.682**	
Deductions From Tier II Capital	**-**	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	**5.166.682**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**19.330.567**	
Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	13.812	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	52.123	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank 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 September 30, 2018	Amounts subject to treatment before 1/1/2014(*)
TOTAL CAPITAL		
Total Capital	19.264.632	
Total risk weighted amounts	124.111.642	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	11,41%	
Tier 1 Capital Adequacy Ratio	11,41%	
Capital Adequacy Ratio	15,52%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	1,88%	
a) Capital conservation buffer requirement	0,01%	
b) Bank specific counter-cyclical buffer requirement	-	
c) Systemic significant bank buffer ratio	5,41%	
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	154.769	
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		
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2.833.448	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.381.602	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	3.785.080	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.743.352	

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

Components of consolidated shareholders' equity items:

	Prior Period December 31, 2017	Amounts subject to treatment before 1/1/2014(*)
COMMON EQUITY		
Paid-in capital following all debts in terms of claim in liquidation of the Bank's	3.350.000	
Share issue premiums	714	
Reserves	7.365.587	
Gains recognized in equity as per TAS	21.551	
Profit	1.771.786	
Current Period Profit	1.771.786	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Minority shares	6.294	
Common Equity Before Deductions	**12.515.932**	
Common Equity Tier 1 Capital Before Deductions		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	319.438	
Improvement costs for operating leasing	70.025	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	244.471	305.589
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	**633.934**	
Total Common Equity Tier 1 Capital	**11.881.998**	

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

	Prior Period December 31, 2017	Amounts subject to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	61.118	
Net deferred tax asset/liability which is not deducted from Common equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**11.820.880**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	1.568.424	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.107.532	
Tier II Capital Before Deductions	**2.675.956**	
Deductions From Tier II Capital	**-**	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	**2.675.956**	
Total Capital (The sum of Tier I Capital and Tier II Capital) (Before deduction)	**14.496.836**	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.355	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	18.992	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

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

	Prior Period December 31, 2017	Amounts subject to treatment before 1/1/2014(*)
TOTAL CAPITAL		
Total Capital	14.465.489	
Total risk weighted amounts	99.844.574	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	11,90%	
Tier 1 Capital Adequacy Ratio	11,84%	
Capital Adequacy Ratio	14,49%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	1,75%	
Capital conservation buffer requirement	1,25%	
Bank specific counter-cyclical buffer requirement	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	5,90%	
Amounts below the Excess Limits as per the Deduction Principles	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	120.408	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	34.894	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.397.267	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.107.532	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation		
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation		
Upper limit for Additional Tier I Capital subjected to temporary Article 4		
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4		
Upper limit for Additional Tier II Capital subjected to temporary Article 4	1.568.424	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.899.040	

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

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

Information on debt instruments included in the calculation of equity:

	1	**2**	**3**	**4**
Issuer	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital
Since 1/1/2015 10% reduction by being subject to the application	No	Yes	Yes	No
Eligible at stand-alone / consolidated	Standalone - Consolidated	Standalone - Consolidated	Standalone - Consolidated	Standalone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	1.974	142	89	1.580
Par value of instrument (Currency in million)	1.974	1.215	759	1.580
Accounting classification	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost
Original date of issuance	June 29, 2018	October 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 +7,02%	LIBOR + 3,80%	LIBOR + 3,63%	LIBOR + 5,28%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-

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

(*) The conversion rate / value will be calculated based on the market data available when the right is exercised.

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

Informations on Article 5 of the Regulation on Equities of Banks:

EQUITY ITEMS	T	T-1	T-2	T-3	T-4
Common Equity	14.163.885	13.936.272	13.822.466	13.708.659	13.594.853
Transition process not implemented Common Equity	13.594.853	13.594.853	13.594.853	13.594.853	13.594.853
Tier 1 Capital	14.163.885	13.936.272	13.822.466	13.708.659	13.594.853
Transition process not implemented Tier 1 Capital	13.594.853	13.594.853	13.594.853	13.594.853	13.594.853
Total Capital	19.264.632	19.037.019	18.923.213	18.809.406	18.695.600
Transition process not implemented Equity	18.695.600	18.695.600	18.695.600	18.695.600	18.695.600
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	124.111.642	124.111.642	124.111.642	124.111.642	124.111.642
Capital Adequacy Ratio					
Common Equity Adequacy Ratio (%)	11,41%	11,23%	11,14%	11,05%	10,95%
Transition process not implemented Common Equity Ratio (%)	10,95%	10,95%	10,95%	10,95%	10,95%
Tier 1 Capital Adequacy Ratio (%)	11,41%	11,23%	11,14%	11,05%	10,95%
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	10,95%	10,95%	10,95%	10,95%	10,95%
Capital Adequacy Ratio (%)	15,52%	15,34%	15,25%	15,16%	15,06%
Transition process not implemented Capital Adequacy Ratio (%)	15,06%	15,06%	15,06%	15,06%	15,06%
LEVERAGE					
Leverage Ratio Total Risk Amount	254.017.254	254.017.254	254.017.254	254.017.254	254.017.254
Leverage(%)	5,40%	5,40%	5,40%	5,40%	5,40%
Transition process not implemented Leverage Ratio(%)	5,35%	5,35%	5,35%	5,35%	5,35%

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

II. Explanations on Consolidated Risk Management

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 September 30, 2017

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

4. Gb1-Overview of RWA

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

		Risk Weighted Assets		Minimum Capital Requirements	
		30.09.2018	**31.12.2017**	**30.09.2018**	**31.12.2017**
1	Credit risk (excluding counterparty credit risk)	104.962.887	86.699.271	8.397.031	6.935.942
2	Standardised approach	104.962.887	86.699.271	8.397.031	6.935.942
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	5.565.311	1.903.324	445.225	152.266
5	Standardised approach for counterparty credit risk	5.565.311	1.903.324	445.225	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	3.109.936	2.016.388	248.795	161.311
17	Standardised approach	3.109.936	2.016.388	248.795	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)**	**124.111.642**	**99.844.574**	**9.928.932**	**7.987.566**

(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	6,0752 TL
Euro purchase rate in the balance sheet date	7,1130 TL

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

4. The basic arithmetical average of the 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 September 2018 are TL 6,3669 and TL 7,4247 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)	10.396.695	8.710.585	1.854.781	20.962.061
Due From Banks	345.114	1.473.317	55.125	1.873.556
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)(2)	404.973	384.664	322	789.959
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI)	582.803	3.744.679	-	4.327.482
Loans(3)	24.608.042	16.691.744	248.099	41.547.885
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	30.389	5.543.291	-	5.573.680
Derivative Financial Assets Hedging Purposes	1.838	320.440	-	322.278
Tangible Assets	-	-	108	108
Intangible Assets	-	-	-	-
Other Assets (4)	1.379.307	2.287.286	45.001	3.711.594
Total Assets	**37.749.161**	**39.156.006**	**2.203.436**	**79.108.603**
Liabilities				
Bank Deposits	1.356.007	985.525	70.474	2.412.006
Foreign Currency Deposits(5)	13.013.693	33.291.157	2.664.836	48.969.686
Money Market Borrowings	339.363	5.528.008	-	5.867.371
Funds Provided from Other Financial Institutions	10.554.418	18.439.079	3.214.861	32.208.358
Securities Issued	319.378	8.578.677	-	8.898.055
Sundry Creditors	9.359.389	2.183.901	9.468	11.552.758
Derivative Fin. Liabilities Hedging Purposes	122.637	270.172	-	392.809
Other Liabilities (6)	577.447	603.519	5.137	1.186.103
Total Liabilities	**35.642.332**	**69.880.038**	**5.964.776**	**111.487.146**
Net Balance Sheet Position	**2.106.829**	**(30.724.032)**	**(3.761.340)**	**(32.378.543)**
Net Off-Balance Sheet Position	**(1.842.220)**	**27.845.969**	**3.768.361**	**29.772.110**
Financial Derivative Assets	17.273.331	89.901.868	3.856.235	111.031.434
Financial Derivative Liabilities	19.115.551	62.055.899	87.874	81.259.324
Non-Cash Loans (7)	8.248.219	8.857.169	444.879	17.550.267
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 1.756.339 (December 31, 2017 – TL 1.799.886) precious metal deposit account.

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

(3) Includes TL 3.255.237 (December 31, 2017 – TL 3.382.889) FC indexed loans. Does not include repealed financial leasing receivables amounting to TL 51.659 (December 31 2017 – TL 6.737) accounted as FC in balance sheet. Includes FC indexed factoring receivables amounting to TL 32.385 (December 31, 2017 – TL 60.973) accounted as TL in balance sheet.

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

(5) Foreign currency deposits include TL 1.881.348 (December 31, 2017 – TL 1.198.394) of precious metal deposit account.

(6) Other Liabilities do not include the Foreign Exchange Loan Factoring payables amounting to TL 5.709.

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

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

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

IV. Explanations on Consolidated Interest Rate Risk

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

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held every two weeks by taking the market developments into consideration. The management of the Parent Bank follows the interest rates in the market on a daily basis and revises interest rates of the Parent Bank when necessary. Parent Bank's asset and liabilities carry positive interest rate income and are repriced every nine months. Therefore the Parent Bank holds limited amount of interest rate risk.

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

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

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (1)	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank (2)	8.455.827	-	-	-	-	14.400.077	22.855.904
Due from Banks (3)	946.234	6.516	-	-	-	931.157	1.883.907
Financial Assets at Fair Value Through Profit/Loss (4)	8.693	939	15.381	22.430	16.495	18.887.194	18.951.132
Money Market Placements	267.629	-	-	-	-	-	267.629
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) (5)	861.822	1.784.653	874.111	2.483.227	3.062.831	4.952.144	14.018.788
Loans and Receivables	16.355.310	16.771.965	35.684.883	30.046.060	4.169.332	4.734.180	107.761.730
Financial Assets Measured at Amortized Cost (6)	779.185	2.594.782	3.349.667	1.691.463	3.852.578	253.186	12.520.861
Other Assets	-	-	-	-	-	9.912.887	9.912.887
Total Assets	**27.674.700**	**21.158.855**	**39.924.042**	**34.243.180**	**11.101.236**	**54.070.825**	**188.172.838**
Liabilities							
Bank Deposits	1.762.579	190.196	24.222	-	-	681.197	2.658.194
Other Deposits	56.226.212	9.468.657	3.518.082	29.877	124	17.193.034	86.435.986
Money Market Borrowings	4.200.279	1.420.539	1.882.295	48.068	42.880	38.073	7.632.134
Sundry Creditors	11.160.228	-	-	-	-	3.398.702	14.558.930
Securities Issued	2.108.403	2.922.425	3.130.307	4.361.360	-	162.497	12.684.992
Funds Borrowed	4.290.848	18.434.476	6.422.948	1.749.157	2.744.724	1.377	33.643.530
Other Liabilities (7)	32.564	116.742	291.459	74.424	-	30.043.883	30.559.072
Total Liabilities	**79.781.113**	**32.553.035**	**15.269.313**	**6.262.886**	**2.787.728**	**51.518.763**	**188.172.838**
On Balance Sheet Long Position	-	-	24.654.729	27.980.294	8.313.508	2.552.062	63.500.593
On Balance Sheet Short Position	(52.106.413)	(11.394.180)	-	-	-	-	(63.500.593)
Off-Balance Sheet Long Position	8.646.880	24.418.660	754.375	-	-	-	33.819.915
Off-Balance Sheet Short Position	-	-	-	(15.472.471)	(8.482.688)	-	(23.955.159)
Total Position	**(43.459.533)**	**13.024.480**	**25.409.104**	**12.507.823**	**(169.180)**	**2.552.062**	**9.864.756**

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

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

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

(4) Financial Assets at Fair Value Through Profit/Loss include amount of TL 18.872.171 derivative financial assets used for hedging purposes.

(5) Financial Assets Measured at Fair Value through Other Comprehensive Income include amount of TL 5.385.621 derivative financial assets through other comprehensive income.

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

(7) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 221.592.

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

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing [1]	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	9.075.895	-	-	-	-	6.806.377	15.882.272
Due from Banks	929.337	4.089	8.189	-	-	358.157	1.299.772
Financial Assets at Fair Value Through Profit/Loss [2]	13.237	9.733	21.887	20.704	14.445	5.462.230	5.542.236
Money Market Placements	241.859	-	-	-	-	-	241.859
Inv. Securities Available for Sale	1.072.716	966.372	2.722.928	1.032.698	2.418.309	136.852	8.349.875
Loans and Receivables	17.215.456	8.691.744	26.622.376	24.352.841	3.415.159	2.130.780	82.428.356
Inv. Securities Held to Maturity	191.969	1.387.592	2.088.237	999.729	2.286.334	214.803	7.168.664
Other Assets	774.280	529.771	1.357.725	2.565.528	257.525	4.796.802	10.281.631
Total Assets	**29.514.749**	**11.589.301**	**32.821.342**	**28.971.500**	**8.391.772**	**19.906.001**	**131.194.665**
Liabilities							
Bank Deposits	1.855.973	205.422	149.449	-	-	134.035	2.344.879
Other Deposits	40.604.471	8.605.660	2.957.289	24.121	-	13.006.955	65.198.496
Money Market Borrowings	4.131.754	1.699.207	1.120.451	-	30.148	18.207	6.999.767
Sundry Creditors	3.257.730	-	-	-	-	2.957.681	6.215.411
Securities Issued	1.816.983	3.280.211	515.647	4.741.620	-	43.564	10.398.025
Funds Borrowed	3.510.963	3.059.173	12.070.952	954.129	1.799.190	128.456	21.522.863
Other Liabilities [3]	261	537	8.531	5.392	-	18.500.503	18.515.224
Total Liabilities	**55.178.135**	**16.850.210**	**16.822.319**	**5.725.262**	**1.829.338**	**34.789.401**	**131.194.665**
On Balance Sheet Long Position	-	-	15.999.023	23.246.238	6.562.434	-	45.807.695
On Balance Sheet Short Position	(25.663.386)	(5.260.909)	-	-	-	(14.883.400)	(45.807.695)
Off-Balance Sheet Long Position	6.266.978	15.722.425	554.484	-	-	-	22.543.887
Off-Balance Sheet Short Position	-	-	-	(16.166.423)	(3.063.760)	-	(19.230.183)
Total Position	**(19.396.408)**	**10.461.516**	**16.553.507**	**7.079.815**	**3.498.674**	**(14.883.400)**	**3.313.704**

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

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

Average interest rates applied to monetary financial instruments

	EUR %	USD %	JPY %	TL %
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	1,50	-	13,00
Due from Banks	-	1,83	-	17,78
Financial Assets Measured at Fair Value through Profit/Loss	3,43	6,42	-	17,91
Money Market Placements	-	-	-	27,50
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,47	4,98	-	15,57
Loans and Receivables	4,73	6,94	2,19	21,35
Financial Assets Measured at Amortized Cost	2,96	5,17	-	13,68
Liabilities				
Bank Deposits	1,36	3,81	-	25,23
Other Deposits	2,47	5,32	1,83	21,25
Money Market Borrowings	0,22	2,33	-	23,80
Sundry Creditors	0,36	1,95	-	-
Securities Issued	1,41	5,61	-	21,55
Funds Borrowed	1,93	4,69	-	19,25

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	**22.840**	**-**	**22.840**
Quoted Securities	22.840	-	22.840
2. Equity Investments Group B	**-**	**-**	**-**
Quoted Securities	-	-	-
3. Equity Investments Group C	**-**	**-**	**-**
Quoted Securities	-	-	-
4. Equity Investments Group Other	**175.365(*)**	**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	1.964	-	-	439	-	198
3. Other Shares	-	-	-	-	-	-
4. Total	**1.964**	**-**	**-**	**439**	**-**	**198**

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 - September 30, 2018	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS			**31.407.504**	**19.927.732**
1. High Quality Liquid Assets	31.407.504	19.927.732	31.407.504	19.927.732
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	59.741.587	27.497.428	5.364.507	2.749.743
3. Stable deposits	12.193.037	-	609.652	-
4. Less stable deposits	47.548.550	27.497.428	4.754.855	2.749.743
5. Unsecured Funding other than Retail and Small Business Customers Deposits	28.062.397	17.753.001	17.480.988	10.994.280
6. Operational deposits	677.062	52.781	169.265	13.195
7. Non-Operational Deposits	21.568.246	15.448.405	12.681.561	8.822.185
8. Other Unsecured Funding	5.817.089	2.251.815	4.630.162	2.158.900
9. Secured funding	-	-	640.482	640.482
10. Other Cash Outflows	17.245.521	9.542.519	17.245.521	9.542.519
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	17.245.521	9.542.519	17.245.521	9.542.519
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	24.638.854	-	1.231.943	-
15. Other irrevocable or conditionally revocable commitments	63.246.887	17.675.372	4.600.443	1.462.703
16. TOTAL CASH OUTFLOWS			**46.563.884**	**25.389.727**
CASH INFLOWS				
17. Secured Lending Transactions	16.971	-	-	-
18. Unsecured Lending Transactions	8.655.300	2.582.638	5.526.414	2.279.119
19. Other contractual cash inflows	17.182.144	13.823.625	17.182.144	13.823.626
20. TOTAL CASH INFLOWS	**25.854.415**	**16.406.263**	**22.708.558**	**16.102.745**

	Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS	**31.407.504**	**19.927.732**
22. TOTAL NET CASH OUTFLOWS	**23.855.326**	**9.439.589**
23. LIQUDITY COVERAGE RATIO (%)	**131,66%**	**211,11%**

(*) 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	190,20	14.08.2018	102,32	02.07.2018	132,74
FC	361,32	10.08.2018	111,15	02.07.2018	228,31

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 47% 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 [2]	10.890.062	12.007.786	-	-	-	-	(41.943)	22.855.905
Due from Banks [3]	931.958	948.101	6.516	-	-	-	(2.669)	1.883.906
Financial Assets at Fair Value Through Profit/Loss [4]	7.473	1.342.047	1.618.647	6.952.344	8.532.956	437.448	60.217	18.951.132
Money Market Placements	-	267.629	-	-	-	-	-	267.629
Financial Assets Measured at Fair Value through Other Comprehensive Income [5]	153.694	334.728	279.986	2.251.474	7.054.116	3.944.790	-	14.018.788
Loans and Receivables [6]	-	18.444.702	9.266.040	27.571.159	37.583.100	13.645.798	1.250.931	107.761.730
Financial Assets Measured at Amortized Cost[7]	-	-	313.441	637.974	4.673.532	6.927.245	(31.331)	12.520.861
Other Assets	-	4.789.000	9.764	25.508	816.582	2.283	4.269.750	9.912.887
Total Assets	**11.983.187**	**38.133.993**	**11.494.394**	**37.438.459**	**58.660.286**	**24.957.564**	**5.504.955**	**188.172.838**
Liabilities								
Bank Deposits	675.190	1.767.462	191.171	24.371	-	-	-	2.658.194
Other Deposits	16.630.354	56.593.047	9.576.125	3.605.316	31.018	126	-	86.435.986
Funds Borrowed	-	2.788.649	8.922.706	7.048.666	7.580.295	7.303.214	-	33.643.530
Money Market Borrowings	-	2.840.710	1.179.739	1.606.426	965.671	1.039.588	-	7.632.134
Securities Issued	-	2.112.206	1.257.198	3.657.608	5.607.363	50.617	-	12.684.992
Sundry Creditors	-	3.947.383	654.474	3.222.269	6.573.175	161.629	-	14.558.930
Other Liabilities [8]	-	2.545.317	2.080.026	5.712.669	4.319.913	467.613	15.433.534	30.559.072
Total Liabilities	**17.305.544**	**72.594.774**	**23.861.439**	**24.877.325**	**25.077.435**	**9.022.787**	**15.433.534**	**188.172.838**
Liquidity Excess / Gap	**(5.322.357)**	**(34.460.781)**	**(12.367.045)**	**12.561.134**	**33.582.851**	**15.934.777**	**(9.928.579)**	**-**
Net Off- Balance Sheet Position [9]	**-**	**542.203**	**180.563**	**3.026.114**	**4.449.002**	**71.754**	**-**	**8.269.636**
Receivables from financial derivative instruments	-	17.941.766	18.685.637	40.315.883	43.438.330	21.186.609	-	141.568.225
Liabilities from derivative financial instruments	-	17.399.563	18.505.074	37.289.769	38.989.328	21.114.855	-	133.298.589
Non Cash Loans [10]	**-**	**1.664.408**	**2.797.480**	**10.964.779**	**3.382.097**	**387.286**	**7.729.707**	**26.925.757**
Prior period								
Total Assets	5.153.248	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 financial derivative instruments	-	16.597.813	15.127.034	22.551.649	34.478.136	7.044.734	-	95.799.366
Non Cash Loans[7]	**-**	**1.100.786**	**2.055.672**	**7.089.728**	**2.717.879**	**404.698**	**5.946.286**	**19.315.049**

[1] The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column. Unallocated other liabilities include equities amount of TL 14.401.292 and also include amount of TL 749.374 unallocated provisions and deferred tax liabilities.
[2] Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include expected loss provisions amounting to TL 41.943.
[3] Banks include balance of expected loss provisions amounting to TL 2.669.
[4] Financial assets at fair value through profit/loss include derivative financial assets through profit loss amounting to TL 18.872.171.
[5] Financial assets at fair value through other comprehensive income include derivative financial assets through other comprehensive income amounting to TL 5.385.621.
[6] Loans and receivables include leasing and factoring receivables.
[7] Financial assets measured at amortized cost include TL 31.331 of expected loss provisions.
[8] Other liabilities include derivative financial liabilities for hedging purposes amounting to TL 221.592.
[9] Liquidity excess / (deficit) related to Derivative Financial Instruments constituting Net Off-Balance positions are included in Liquidity Excess / (deficit) through valuations of related transactions to balance sheet.
[10] Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

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

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 5,40% (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 (*)	183.538.040	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	357.764	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	1.867.341	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	68.694.354	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	(440.245)	(394.938)
7	**Total Risk Amount**	**254.017.254**	**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)	161.083.621	124.173.604
(Assets deducted from capital stock)	440.245	394.938
Total risk amount related to Assets on Balance sheet	**160.643.376**	**123.778.666**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	22.812.183	6.082.935
Potential credit risk amount of derivative financial instruments and credit derivatives	1.867.341	1.275.678
Total risk amount related to derivative financial instruments and credit derivatives	**24.679.524**	**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	91.463.685	74.916.230
(Adjustment amount sourcing from multiplying to credit conversion rates)	22.769.331	(17.343.750)
Total risk amount related to off-balance sheet transactions	**68.694.354**	**57.572.480**
Capital and Total Risk		
Core Capital	13.720.217	11.665.362
Amount of total risk	254.017.254	188.709.759
Financial leverage ratio		
Financial leverage ratio	5,40%	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	726.382	2.422.875	644.333	340.629
T.R. Central Bank	1.165.511	18.524.689	1.461.242	13.408.983
Others	43.894	14.497	25.365	1.720
Total	**1.935.787**	**20.962.061**	**2.130.940**	**13.751.332**

b) Balances with the Central Bank of Turkey

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

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

As of September 30, 2018, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 1,5% to 8% depending on the maturity of deposits (December 31, 2017 – 4% to 10,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 20% depending on the maturity of deposits and other liabilities (December 31, 2017 – 4% 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	4.956	2.237	28.219	1.113
Subject to repurchase agreement	5.675	-	14.275	-
Total	**10.631**	**2.237**	**42.494**	**1.113**

b) Positive differences on trading derivative instruments

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forward Transactions	658.903	-	43.711	-
Swap Transactions	10.734.933	314.289	2.213.686	184.096
Futures	-	3.793	-	105
Options	-	741.496	884	61.660
Other	-	-	-	-
Total	**11.393.836**	**1.059.578**	**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	11.676	1.952	16.806	845.929
Foreign	1.343	1.871.604	851	436.186
Foreign Head Offices and Branches	-	-	-	-
Total	**13.019**	**1.873.556**	**17.657**	**1.282.115**

As a result of TFRS 9 adoption, amount of TL 2.669 provision established for banks account as of September 30, 2018.

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	340.476	69.846	46.735	17.419
USA and Canada	1.288.710	240.799	182.532	103.924
OECD Countries (*)	3.699	2.133	-	-
Off-shore Banking Regions	-	-	-	-
Other	10.795	2.916	-	-
Total	**1.643.680**	**315.694**	**229.267**	**121.343**

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

(**) Includes blocked placements amounting to TL 229.267 at foreign banks (December 31, 2017 - TL 121.343) for the funds borrowed from foreign banks.

4. Information on receivables from reverse repurchase agreements

None (December 31, 2017 – None).

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

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

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

a.2) Information on 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	**9.140.304**
Quoted on a stock exchange (*)	9.140.304
Unquoted on a stock exchange	-
Share certificates	**155.518**
Quoted on a stock exchange	1.718
Unquoted on a stock exchange(**)	153.800
Impairment provision (-)(***)	(662.655)
Total	**8.633.167**

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

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 3.028.970 (December 31, 2017 - TL 4.072.503) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as financial assets measured at fair value through other comprehensive income in order to be in line with balance sheet presentation.
(**) It includes 11.695 Type C Visa Inc. shares transferred to Main Partner Bank because of exchange of stock as a result of transferring of Visa Europe Ltd to Visa Inc.
(***) As a result of adoption of TFRS 9, as of September 30, 2018 amount of TL 20.445 provision provided for financial assets measured at fair value through other comprehensive income account.

6. Information related to loans

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

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

(*) Includes advances given to the bank personnel.

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

Cash Loans	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
			Restructured Loans and Receivables	
		Loans and Receivables Not Subject to Restructuring	Loans and Receivables with Revised Contract Terms	Refinance
Non Specialized Loans	**92.750.655**	**5.699.084**	**176.963**	**3.474.576**
Entreprise Loans	1.140.214	15.055	-	-
Export Loans	2.268.066	100.016	-	-
Import Loans	16.127	-	-	-
Financial Sector Loans	1.099.604	1.083	-	-
Consumer Loans	17.645.229	952.306	12.438	622.354
Credit Cards	12.224.316	670.480	-	484.491
Other	58.357.099	3.960.144	164.525	2.367.731
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**92.750.655**	**5.699.084**	**176.963**	**3.474.576**

	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses (Stage I)	1.105.043	-
Significant Increase in Credit Risk (Stage II)	-	1.728.405

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

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

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

c) Loans according to their maturity structure

		Loans Under Close Monitoring	
Cash Loans	**Standard Loans**	**Loans without Revised Contract Terms**	**Restructured Loans**
Short-term Loans	32.182.770	671.520	484.491
Medium and Long-term Loans	60.567.885	5.027.564	3.167.048
Total	**92.750.655**	**5.699.084**	**3.651.539**

(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	**924.703**	**16.572.380**	**17.497.083**
Housing Loans	49.414	4.501.581	4.550.995
Automobile Loans	212	18.310	18.522
Personal Need Loans	875.077	12.052.489	12.927.566
Other	-	-	-
Consumer Loans-FC Indexed	**6.357**	**1.806**	**8.163**
Housing Loans	5.977	1.695	7.672
Automobile Loans	-	-	-
Personal Need Loans	380	111	491
Other	-	-	-
Consumer Loans-FC	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	**10.095.636**	**352.000**	**10.447.636**
Installment	3.658.329	352.000	4.010.329
Non- Installment	6.437.307	-	6.437.307
Individual Credit Cards-FC	**5.366**	**-**	**5.366**
Installment	-	-	-
Non- Installment	5.366	-	5.366
Personnel Loans-TL	**5.320**	**42.450**	**47.770**
Housing Loans	43	524	567
Automobile Loans	-	-	-
Personal Need Loans	5.277	41.926	47.203
Other	-	-	-
Personnel Loans-FC Indexed	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**35.137**	**-**	**35.137**
Installment	13.666	-	13.666
Non-Installment	21.471	-	21.471
Personnel Credit Cards-FC	**93**	**-**	**93**
Installment	-	-	-
Non-Installment	93	-	93
Overdraft Accounts-TL (Real Persons)	**1.679.311**	**-**	**1.679.311**
Overdraft Accounts-FC (Real Persons)	**-**	**-**	**-**
Total	**12.751.923**	**16.968.636**	**29.720.559**

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

f) Loans according to borrowers

	Current Period	Prior Period
Public	100.749	50.160
Private	102.000.529	81.585.320
Total	**102.101.278**	**81.635.480**

g) Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	101.303.174	81.118.403
Foreign Loans	798.104	517.077
Total	**102.101.278**	**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	324.952	113.746
Loans and Receivables with Doubtful Collectability	496.303	348.575
Uncollectible Loans and Receivables	3.384.190	3.078.393
Total	**4.205.445**	**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	17.066	12.555	53.350
Restructured Loans	17.066	12.555	53.350
Prior Period			
Gross Amounts Before the Provisions	-	2.481	57.600
Restructured Loans	-	2.481	57.600

j.2) Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans and 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 (+)	1.669.074	168.868	109.885
Transfers from Other Categories of Non-Performing Loans (+)	2.685	1.198.849	1.006.855
Transfers to Other Categories of Non-Performing Loans (-)	1.199.614	1.009.631	2.224
Collections (-)	344.904	193.338	294.298
Write-offs (-)	**-**	**-**	**-**
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Period End Balance	**695.867**	**861.899**	**3.898.610**
Specific Provision (-)	324.952	496.303	3.384.190
Net Balances on Balance Sheet	**370.915**	**365.596**	**514.420**

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)	**370.915**	**365.596**	**514.420**
Loans to Real Persons and Legal Entities (Gross)	695.867	861.899	3.864.290
Provision (-)	324.952	496.303	3.349.870
Loans to Real Persons and Legal Entities (Net)	370.915	365.596	514.420
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	34.320
Provision (-)	-	-	34.320
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)	-	-	-

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period (Net)			
Interest accruals and valuation differences	61.690	91.093	8.096
Provision amount (-)	36.397	53.745	4.776

k) Liquidation policies for uncollectible loans and other receivables

For the unrecoverable non-performing loans under legal follow up, the loan quality, collateral quality, bona fide of the debtor and assessment of the emergency of legal follow up are considered, before applying the best practice for unrecoverable non-performing loans under legal follow up. The 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	881.837	75.043	1.250.546	95.688
Medium and Long Term	23.727	-	34.768	-
Total	**905.564**	**75.043**	**1.285.314**	**95.688**

As of September 30, 2018 and September 30, 2017, changes in provision for non-performing factoring receivables are as follows:

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

	Current Period	Prior Period
Prior Period End Balance	41.794	20.825
Provided Provision / (reversal), Net	15.281	1.220
Collections	(2.781)	(1.172)
Write-offs	-	-
Provision at the End of Period	**54.294**	**20.873**

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	204.943	581.785
Subject to repurchase agreements	399.744	4.097.183
Total	**604.687**	**4.678.968**

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

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

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

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

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	**6.978.512**	**5.573.680**
Publicly-traded	6.978.512	5.573.680
Non-publicly traded	-	-
Provision for losses (-)	**-**	**-**
Total	**6.978.512**	**5.573.680**

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

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

	Prior Period	
	TL	**FC**
Debt Securities	**3.740.199**	**3.428.465**
Publicly-traded	3.740.199	3.428.465
Non-publicly traded	-	-
Impairment (-)	-	-
Total	**3.740.199**	**3.428.465**

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

	Current Period
Balance at the beginning of the period(*)	**8.946.170**
Exchange differences on monetary assets	2.063.459
Acquisitions during the year	1.660.300
Disposals through sales and redemptions	(540.750)
Impairment provision (-)	-
Valuation Effect	423.013
The sum of end of the period	**12.552.192**

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

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

d.2) 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
94.425	57.724	49.104	1.370	-	8.630	10.416	-

(*) Current year information is based on June 30, 2018 financials. Prior year profit and loss amounts are based on June 30, 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.	44.409	19.733	18.623	-	-	(41)	(882)	-
2.	14.923	4.221	5.460	522	-	1.323	(446)	-

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

b) Information on the consolidated subsidiaries:

b.1) Information on the consolidated subsidiaries :

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

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.	506.439	157.359	3.460	30.375	5.502	28.536	17.251	126.712
2.	6.993.806	815.456	5.955	364.001	-	92.510	77.748	430.949(*)
3.	216.773	45.553	2.906	11.285	-	(4.248)	(4.200)	-
4.	11.829	10.472	113	1.344	-	(1.456)	(592)	-
5.	1.227.021	117.570	4.556	194.220	34	28.164	14.868	108.565

(*) Fair values of publicly traded subsidiaries reflect their 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	**(300)**	**77.349**
Purchases(*)	15.000	30.000
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Difference	(15.300)	47.349
Impairment Provision	-	-
Balance at the End of the Period	**724.621**	**724.921**
Capital Commitments	**-**	**-**
Share Percentage at the end of the Period (%)	**-**	**-**

(*)At the current period, 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	108.565	93.350
Leasing Companies	430.949	445.809
Finance Companies	58.395	58.395
Other Subsidiaries	126.712	127.367
Total	**724.621**	**724.921**

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	430.949	445.809
Quoted on International Stock Exchanges	-	-
Total	**430.949**	**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.	1.261.141	146.150	15.920	-	-	65.697	36.908	151.969
2.	64.758	43.905	34.274	-	-	5.421	9.050	-

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	2.123.242	1.687.774	1.643.065	1.345.976
Between 1-4 years	4.287.965	3.651.837	2.876.082	2.460.214
Over 4 years	1.011.185	922.751	716.284	659.873
Total	**7.422.392**	**6.262.362**	**5.235.431**	**4.466.063**

Finance lease receivables include non-performing finance lease receivables amounting to TL 281.991 (December 31, 2017 – TL 164.253) and specific provisions amounting to TL 145.191 (December 31, 2017 – TL 97.562).

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

	Current Period	Prior Period
End of the prior period	98.706	114.477
Provided provision / (reversal), Net	54.520	22.408
Collections	(8.035)	(10.658)
Written-off	-	(53.306)
Provision at the end of the period	**145.191**	**72.921**

12.2 Information on net investment on leases

	Current Period	Prior Period
Gross Finance Lease Investments	7.423.027	5.235.431
Unearned Finance Income (-)	1.160.665	769.368
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	**6.262.362**	**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 (*)	6.349.683	69.074
Cash Flow Hedge(**)	5.128.938	256.683
Net Investment Hedge	-	-
Total	**11.478.621**	**325.757**

	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 September 30, 2018, TL 63.826 (December 31, 2017 - TL 13.675) from securities, TL 1.769 (December 31, 2017 – TL 808) from funds borrowed, TL 3.479 (December 31, 2017- TL 14.249))from financial leasing ,TL 6.349.683 (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 813.878 (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 48.879 are netted under equity. (December 31, 2017 – TL 18.606 deferred tax assets).

	Temporary Differences		Deferred Tax Assets/(Liabilities)	
	30.09.2018	**31.12.2017**	**30.09.2018**	**31.12.2017**
Provision for Employee Rights	394.945	379.809	106.632	83.877
Difference Between the Book Value of Financial Assets and Tax Base	3.740.311	510.067	791.611	123.869
Other	5.486.202	871.924	1.186.435	189.024
Deferred Tax Assets			**2.084.678**	**396.770**
Difference Between the Book Value Financial Fixed Assets and Tax Base	(261.893)	(234.253)	(49.012)	(847.422)
Difference Between the Book Value of Financial Assets and Tax Base	(4.762.945)	(997.362)	(1.052.349)	(229.135)
Other	(771.199)	(630.430)	(169.439)	(134.070)
Deferred Tax Liabilities			**(1.270.800)**	**(410.627)**
Deferred Tax Assets/(Liabilities), Net			**813.878**	**(13.857)**

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

	Current Period 01.01-30.09.2018	Prior Period 01.01-30.09.2017
Deferred Tax as of January 1 Asset/ (Liability)- Net	472.654	66.967
Deferred Tax (Loss) / Gain	427.280	(240.224)
Deferred Tax that is Realized Under Shareholder's Equity	(86.056)	(54.780)
Deferred Tax Asset/ (Liability) – Net	**813.878**	**(228.037)**

16. Information on assets held for sale and discontinued operations

As of September 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	3.670.912	538.740
Assets Held for Resale (net)	756.615	361.684
Other Prepaid Expenses	657.375	572.388
Miscellaneous Receivables	357.117	291.355
Cheques Receivables from Other Banks	110.021	72.281
Prepaid rent expenses	50.322	34.454
Prepaid Agency Commissions	14.619	12.460
Advances Given	12.610	3.847
Other	141.820	73.700
Total	**5.771.411**	**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	22.872.457	1.385.335
Loans	2.798.095	575.636
Securities Measured at Amortized Cost	223.906	60.612
Financial Assets Measured at Fair Value through Other Comprehensive Income	(45.245)	(493.411)
Central Bank	54.797	-
Leasing Receivables	15.557	28.189
Banks	516	-
Financial Assets Measured at Fair Value through Profit/Loss	(67)	9
Other Accruals	45.445	13.004
Total	**25.965.461**	**1.569.374**

	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	**3.064.725**	**-**	**3.509.887**	**19.187.551**	**891.402**	**467.076**	**1.134.153**	**1.888**	**28.256.682**
Foreign Currency	**9.153.000**	**-**	**3.527.344**	**29.138.309**	**1.790.496**	**2.196.427**	**1.282.401**	**361**	**47.088.338**
Residents in Turkey	8.904.896	-	3.489.641	28.401.011	1.721.902	2.111.240	993.964	361	45.623.015
Residents Abroad	248.104	-	37.703	737.298	68.594	85.187	288.437	-	1.465.323
Public Sector Deposits	**166.400**	**-**	**5.974**	**6.872**	**88**	**9**	**221**	**-**	**179.564**
Commercial Deposits	**2.435.321**	**-**	**2.332.645**	**2.986.991**	**117.168**	**223.162**	**600.843**	**-**	**8.696.130**
Other Ins. Deposits	**67.998**	**-**	**33.379**	**228.588**	**1.696**	**564**	**1.699**	**-**	**333.924**
Precious Metal Deposits	**1.742.910**	**-**	**-**	**31.409**	**476**	**8.947**	**97.606**	**-**	**1.881.348**
Bank Deposits	**675.190**	**-**	**42.655**	**1.629.392**	**230.794**	**80.163**	**-**	**-**	**2.658.194**
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	46.239	-	12.047	35.558	-	2.130	-	-	95.974
Foreign Banks	25.979	-	30.608	1.593.834	230.794	78.033	-	-	1.959.248
Participation Banks	602.972	-	-	-	-	-	-	-	602.972
Other	-	-	-	-	-	-	-	-	-
Total	**17.305.544**	**-**	**9.451.884**	**53.209.112**	**3.032.120**	**2.976.348**	**3.116.923**	**2.249**	**89.094.180**

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	13.717.107	12.342.514	13.903.218	11.921.850
Foreign Currency Savings Deposits	5.161.421	3.857.126	23.658.774	14.315.461
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**18.878.528**	**16.199.640**	**37.561.992**	**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	17.142	7.440
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	80.107	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	**97.249**	**22.880**

2. Information on trading purpose derivatives:

a) Negative value of trading purpose derivatives:

	Current Period(*)		**Prior Period**	
	TL	**FC**	**TL**	**FC**
Forwards	578.883	208.947	83.786	-
Swaps	11.102.710	256.834	1.787.821	175.993
Futures	-	3.719	-	103
Options	-	533.003	275	22.266
Other	-	-	-	-
Total	**11.681.593**	**1.002.503**	**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	1.054.706	1.148.803	813.435	459.170
Foreign Banks, Institutions and Funds	380.466	25.412.386	641.546	16.097.875
Total	**1.435.172**	**26.561.189**	**1.454.981**	**16.557.045**

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-Term	785.160	7.632.087	812.291	5.770.207
Medium and Long-Term	650.012	18.929.102	642.690	10.786.838
Total	**1.435.172**	**26.561.189**	**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 September 30, 2018, the Group's liabilities comprise; 47% deposits (December 31, 2017 – 51%), 15% funds borrowed (December 31, 2017 – 14%), 7% issued bonds (December 31, 2017 – 8%) and 4% funds provided from money market borrowings. (December 31, 2017 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From domestic transactions	**1.469.627**	**-**	**1.852.178**	**-**
Financial institutions and organizations	1.086.943	-	1.790.023	-
Other institutions and organizations	364.518	-	15.494	-
Real persons	18.166	-	46.661	-
From foreign transactions	**3.063**	**5.867.371**	**6.724**	**4.631.256**
Financial institutions and organizations	-	5.867.371	-	4.631.256
Other institutions and organizations	3.063	-	6.724	-
Real persons	-	-	-	-
Total	**1.472.690**	**5.867.371**	**1.858.902**	**4.631.256**

Money market borrowings include Interbank money market borrowings amounting to TL 292.073 (December 31,2017 – TL 509.609).

5. Information on securities issued (Net):

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Bank Bonds	3.048.047	1.389.873	4.208.176	57.156
Asset-backed securities(*)	436.650	-		
Bills	302.240	7.508.182	195.169	5.937.524
Total	**3.786.937**	**8.898.055**	**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 September 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 (*)	-	300.343
Cash Flow Hedge (**)	26.948	194.644
Net Investment Hedge	-	-
Total	**26.948**	**494.987**

	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 September 30, 2018, TL 31.634 (December 31, 2017 – TL 41.598) loan portfolio, TL 4.962 (December 31, 2017 – TL 4.057) issued bonds, TL 161.569 (December 31, 2017 –TL 168.798) the securities, and TL 102.178 (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(*)	118.201
Total	**118.201**

(*) As of September 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 39.840 (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 September 30, 2018, TL 194.356 (December 31, 2017 - TL 182.089) reserve for employee termination benefits was provided in the accompanying financial statements.

As of September 30, 2018, the Group accrued TL 49.464 (December 31, 2017 - TL 46.042) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of September 30, 2018, TL 151.125 (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 01.01-30.09.2018	Prior Period 01.01-30.09.2017
As of January 1	182.090	144.405
Service cost	18.860	14.553
Interest Cost	15.970	11.968
Settlement / curtailment / termination loss	10.495	16.708
Actuarial differences	(1.495)	-
Paid during the period	(31.564)	(37.070)
Total	**194.356**	**150.564**

(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	8.834	9.356
Other Provisions	227.394	153.086
Total	**236.228**	**270.892**

(*)Provisions for watch-list loan portfolio have recalculated and accounted under the loans and other receivables with the adoption of TFRS 9.

10. Explanations on Tax Liabilities

10.1 Information on current tax liability

10.1.1 Information on tax provision

As of September 30, 2018, the Group has current tax liability of TL 923.492 (December 31, 2017 - TL 475.298) and as of September 30, 2018, the Group has prepaid tax of TL 245.220 (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 September 30, 2018, after the offsetting, the current tax liability amounting to TL 678.272 (December 31, 2017 – TL 419.559) is disclosed with current tax receivable TL 4.773 (December 31, 2017– TL 12.181)

10.1.2 Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	678.272	419.559
Taxation on Securities Income	81.682	56.775
Taxation on Real Estates Income	2.968	1.953
Banking and Insurance Transaction Tax (BITT)	101.346	65.519
VAT Payable	136	154
Other	27.378	25.771
Total	**891.782**	**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	14.737	21.365
Social Security Premiums - Employer Share	15.968	18.871
Pension Fund Fee and Provisions – Employee Share	27	11
Pension Fund Fee and Provisions – Employer Share	88	37
Unemployment Insurance - Employee Share	1.036	1.245
Unemployment Insurance - Employer Share	2.071	2.486
Other	35	34
Total	**33.962**	**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	**-**	**5.647.169**	**-**	**3.510.837**
Subordinated Loans	-	5.647.169	-	3.510.837
Subordinated Debt Instruments	-	-	-	-
Total	**-**	**5.647.169**	**-**	**3.510.837**

On June 29, 2018, the subordinated loan 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	**(17.557)**	**(639.414)**	**(53.163)**	**(176.412)**
Valuation Differences	(17.557)	(639.414)	(53.163)	(176.412)
Foreign Exchange Rate Differences	-	-	-	-
Total	**(17.557)**	**(639.414)**	**(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	11.681.593	1.302.846
Deposits	437.935	130.748
Funds Borrowed	48.656	332.159
Money Market Borrowings	4.935	33.138
Issued Securities	(7.157)	159.011
Other Accruals	213.049	1.931
Total	**12.379.011**	**1.959.833**

	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	21.787.550	17.115.833
Commitment For Use Guaranteed Credit Allocation	11.137.234	9.774.575
Payment Commitments for Cheques	2.382.433	2.754.045
Forward Asset Purchase Commitments	3.084.229	2.790.244
Other Irrevocable Commitments	1.307.005	1.056.395
Commitments for Promotions Related with Credit Cards and Banking Activities	28.226	45.880
Tax and Fund Liabilities due to Export Commitments	24.862	15.358
Total	**39.751.539**	**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 39.840 (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	5.238.808	3.012.892
Other Letters of Guarantee	2.099.835	1.783.291
Total	**7.338.643**	**4.796.183**

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

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

2. Total amount of non-cash loans

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

(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	**36.986**	**0,39**	**23.464**	**0,14**	**44.952**	**0,51**	**2.855**	**0,03**
Farming and Raising Livestock	32.582	0,35	4.512	0,03	40.054	0,45	-	-
Forestry	3.269	0,03	-	-	2.375	0,03	-	-
Fishing	1.135	0,01	18.952	0,11	2.523	0,03	2.855	0,03
Manufacturing	**1.280.594**	**13,65**	**8.955.478**	**51,03**	**1.261.085**	**14,27**	**4.430.301**	**42,29**
Mining and Quarrying	27.445	0,29	34.571	0,20	48.598	0,55	36.769	0,35
Production	1.074.605	11,46	8.060.694	45,93	990.927	11,21	3.888.686	37,12
Electricity, gas and water	178.544	1,90	860.213	4,90	221.560	2,51	504.846	4,82
Construction	**2.204.451**	**23,51**	**2.041.087**	**11,63**	**2.769.132**	**31,33**	**782.143**	**7,47**
Services	**4.726.035**	**50,39**	**6.403.531**	**36,48**	**4.095.605**	**46,33**	**2.555.222**	**24,39**
Wholesale and Retail Trade	2.733.022	29,15	1.705.496	9,72	2.475.606	28,01	954.016	9,11
Hotel, Food and Beverage Services	71.508	0,76	716.097	4,08	75.523	0,85	85.148	0,81
Transportation&Communication	269.521	2,87	1.318.579	7,51	193.455	2,19	280.352	2,67
Financial Institutions	1.050.929	11,21	1.560.707	8,89	773.612	8,75	838.847	8,01
Real Estate and Renting Services	6.088	0,06	301	-	8.232	0,09	611	0,01
Self Employment Services	166.186	1,77	36.602	0,21	274.603	3,11	36.769	0,35
Educational Services	5.520	0,06	7.113	0,04	6.262	0,07	-	-
Health and Social Services	423.261	4,51	1.058.636	6,03	288.312	3,26	359.479	3,43
Other	**1.127.424**	**12,06**	**126.707**	**0,72**	**668.642**	**7,56**	**2.705.112**	**25,82**
Total	**9.375.490**	**100,00**	**17.550.267**	**100,00**	**8.839.416**	**100,00**	**10.475.633**	**100,00**

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

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

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

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

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

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

5. Information related to derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**157.529.811**	**121.722.064**
Forward transactions (*)	15.631.740	13.453.085
Swap transactions	124.901.127	100.407.541
Futures transactions	290.479	209.931
Option transactions	16.706.465	7.651.507
Interest Related Derivative Transactions (II)	**46.783.758**	**20.280.668**
Forward rate transactions	-	-
Interest rate swap transactions	46.783.758	20.280.668
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	**880.904**	**628.716**
A. Total Trading Derivative Transactions (I+II+III)	**205.194.473**	**142.631.448**
Types of hedging transactions		
Fair value hedges	24.971.190	19.147.014
Cash flow hedges	47.785.380	35.382.276
Net investment hedges	-	-
B. Total Hedging Related Derivatives	**72.756.570**	**54.529.290**
Total Derivative Transactions (A+B)	**277.951.043**	**197.160.738**

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

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

Current Period	**Forward Buy (**)**	**Forward Sell(**)**	**Swap Buy (*)**	**Swap Sell(*)**	**Option Buy**	**Option Sell**	**Futures Buy**	**Futures Sell**	**Other**
TL	2.418.692	2.587.447	21.635.074	42.364.002	3.140.258	4.062.905	7.418	192	-
USD	2.764.689	4.657.925	85.524.049	55.835.810	4.295.315	3.523.066	137.963	137.793	880.904
Euro	2.585.113	491.905	16.998.507	18.267.463	1.075.079	606.336	-	7.113	-
Other	65.254	60.715	3.789.391	27.159	3.506	-	-	-	-
Total	**7.833.748**	**7.797.992**	**127.947.021**	**116.494.434**	**8.514.158**	**8.192.307**	**145.381**	**145.098**	**880.904**

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

Prior Period	**Forward Buy (**)**	**Forward Sell(**)**	**Swap Buy (***	**Swap Sell(*)**	**Option Buy**	**Option Sell**	**Futures Buy**	**Futures Sell**	**Other**
TL	1.987.217	3.490.468	25.837.696	39.778.171	1.485.641	2.140.793	23.358	-	-
USD	2.911.735	2.759.266	54.101.762	36.055.036	1.864.077	1.476.317	81.855	104.718	628.716
Euro	1.687.149	484.620	7.254.375	9.902.957	398.344	193.758	-	-	-
Other	96.686	35.944	2.164.520	122.982	63.161	29.416	-	-	-
Total	**6.682.787**	**6.770.298**	**89.358.353**	**85.859.146**	**3.811.223**	**3.840.284**	**105.213**	**104.718**	**628.716**

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

5.1 Fair value hedge accounting

a) Loans

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

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 33.323 (September 30, 2017 – TL 10.084) 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 September 30, 2018, the net market valuation difference gain amounting to TL 1.718 due to loss from Eurobonds amounting to TL 55.941 (September 30, 2017 – TL 13.398 gain) and gain from swaps amounting to TL 57.658 (September 30, 2017 – TL 13.690 loss) is accounted for under "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 September 30, 2018, TL 146 net fair valuation difference loss, net of TL 5.122 (September 30, 2017 – TL 2.626 gain) gain from issued bonds and TL 5.268 (September 30, 2017 – TL 2.533 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 25.681 (December 31, 2017 – TL 343.140) have been subject to hedge accounting with the same amount of swaps. As of September 30, 2018, TL 17 (September 30, 2017 – TL 26 net fair value difference loss) net fair valuation difference gain, net of TL 783 (September 30, 2017 – TL 116 gain) gain from issued bonds and TL 767 (September 30, 2017 – TL 142 loss) loss from swaps, has been recorded under "Gain/ (loss) from financial derivatives transactions" on accompanying financial statements.

d) Borrowings

The Parent Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2017- EUR 30 million) is subjected to hedge accounting with a swap having the same amount. As of September 30, 2018, a net mark to market difference loss at an amount of TL 20 (September 30, 2017- TL 1 gain) sourcing from loss at an amount of TL 640 (September 30, 2017 – TL 372 gain) from aforementioned credit and gain at an amount of TL 620 (September 30, 2017 – TL 371 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 797 (September 30, 2017 - TL 37 net mark to market difference loss) sourcing from gain at an amount of TL 2.370 (September 30, 2017 – TL 1.020 gain) from aforementioned credit and loss at an amount of TL 3.167 (September 30, 2017 – TL 1.057 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 3.490.000 are subject to hedge accounting as hedging instruments (December 31, 2017 – TL 5.210.000). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 217.724 are accounted for under equity during the current period (September 30, 2017 – TL 38.844 gain). The amounts for the ineffective portion of revenues in the amount of TL 1.961 gain is associated with the income statement (September 30, 2017 – TL 211 gain).

As of the balance sheet date, swaps with a nominal amount of USD 2.499 (December 31, 2017 – USD 2.753 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 279 million (December 31, 2017 – EUR 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 766.527 are accounted under equity during the current period (September 30, 2017 – TL 14.017 loss). The gain amounting to TL 1.389 (September 30, 2017 – TL 217 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 5.129 transferred amount from equity to income statement due to ineffectiveness or matured swaps (September 30, 2017 – TL 1.279 loss).

b) Subordinated Loans

The 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 101.386 are accounted for under equity during the current period (December 31, 2017- TL 11.673). There is gain amount to TL 2.140 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 462.342 (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 910 (September 30, 2017 – None) before tax is recognized under equity in the current period. The income amounting to TL 8.204 for the ineffective portion is associated with the income statement (September 30, 2017- None).

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

6. Credit derivatives and risk exposures on credit derivatives

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

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

7. Information on contingent liabilities and assets

The Parent Bank has recorded a provision of TL 112.805 (December 31, 2017 - TL 44.781) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account (Section Five, part II.9.5). Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

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

SECTION FIVE

IV. Explanations And Disclosures Related To Consolidated Income Statement

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-Term Loans	3.648.570	82.413	2.508.873	42.039
Medium and Long-Term Loans	4.713.409	1.082.585	3.595.467	522.336
Non-Performing Loans	75.794	-	61.863	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total(*)	**8.437.773**	**1.164.998**	**6.166.203**	**564.375**

(*)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	141.898	479	165.508	210
Foreign Banks	2.209	21.536	1.782	9.981
Foreign Headquarters and Branches	-	-	-	-
Total	**144.107**	**22.015**	**167.290**	**10.192**

(*) The interest income on Required Reserve amounting TL 140.463 excluded from interest income on Banks. (September 30, 2017: TL 77.118).

c) Information on interest income from securities portfolio

	Current Period	
	TL	**FC**
Financial Assets Measured at Fair Value through Profit/Loss	2.351	319
Financial Assets Measured at Fair Value through Other Comprehensive Income	431.358	134.101
Financial Assets Measured at Amortized Cost	539.012	195.898
Total	**972.721**	**330.318**

	Prior Period	
	TL	**FC**
Held-for-Trading Financial Assets	3.486	328
Financial Assets at FVTPL	1.605	41
Investment Securities Available for Sale	300.863	108.537
Investment Securities Held to Maturity	277.053	116.526
Total	**583.007**	**225.432**

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 September 30, 2018, valuation of such assets is made according to estimated annual inflation rate of 11%. If valuation of these securities indexed to the CPI had been done by the reference index valid through September 30, 2018, the Group's Marketable securities valuation differences after tax would be decreased by TL 4,9 million and net profit would be increased by TL 154 million to TL 2.055 million.

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

	Current Period	Prior Period
Interest income received from associates and subsidiaries	115	83

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

5. a) Information on interest expense related to funds borrowed(*):

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks	**196.753**	**813.642**	**100.793**	**447.782**
T.R. Central Bank	-	-	-	-
Domestic Banks	145.268	21.870	60.761	11.291
Foreign Banks	51.485	791.772	40.032	436.491
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	**-**	**-**	**-**	**-**
Total	**196.753**	**813.642**	**100.793**	**447.782**

(*) 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	22.151	44.567

c) Information on interest expense paid to securities issued:

As of September 30, 2018 the amount paid to securities issued is TL 783.275 (September 30, 2017 – TL 347.366).

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	-	27.990	127	-	-	-	-	28.117
Saving Deposits	2	331.806	1.954.172	107.675	55.313	112.811	-	2.561.779
Public Sector Deposits	-	457	1.300	102	10	8	-	1.877
Commercial Deposits	-	322.475	319.568	21.017	46.477	68.643	-	778.180
Other Deposits	-	4.520	24.454	2.415	1.948	69	-	33.406
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**2**	**687.248**	**2.299.621**	**131.209**	**103.748**	**181.531**	**-**	**3.403.359**
Foreign Currency								
Deposits	3	36.025	554.366	39.239	42.238	21.821	-	693.692
Bank Deposits	199	60.091	7.258	174	754	-	-	68.476
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1.122	-	-	-	-	-	1.122
Total	**202**	**97.238**	**561.624**	**39.413**	**42.992**	**21.821**	**-**	**763.290**
Grand Total	**204**	**784.486**	**2.861.245**	**170.622**	**146.740**	**203.352**	**-**	**4.166.649**

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	-	43.006	269	-	-	-	-	43.275
Saving Deposits	3	152.144	1.271.083	78.889	37.367	80.360	-	1.619.846
Public Sector Deposits	-	358	2.211	206	14	11	-	2.800
Commercial Deposits	1	236.687	363.382	30.927	63.775	40.501	-	735.273
Other Deposits	-	4.033	31.711	3.357	25.155	461	-	64.717
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**4**	**436.228**	**1.668.656**	**113.379**	**126.311**	**121.333**	**-**	**2.465.911**
Foreign Currency								
Deposits	-	21.785	281.984	26.712	13.138	8.939	-	352.558
Bank Deposits	172	34.868	9.640	322	1.100	-	-	46.102
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	608	-	-	-	-	-	608
Total	**172**	**57.261**	**291.624**	**27.034**	**14.238**	**8.939**	**-**	**399.268**
Grand Total	**176**	**493.489**	**1.960.280**	**140.413**	**140.549**	**130.272**	**-**	**2.865.179**

(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 (*)	139.933	109.809	47.022	51.236

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

f) Information on finance lease expenses

None (September 30, 2017 – None).

g) Information on interest expenses on factoring payables

None (September 30, 2017 – None).

3. Information on dividend income:

	Current Period	Prior Period
Derivative Financial Assets at Fair Value Through Profit or Lc	809	240
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	686
Other	3.446	193
Total	**4.255**	**1.119**

4. Information on trading income/loss

	Current Period	Prior Period
Trading Gain	**20.893.590**	**7.704.266**
Trading account gain	53.438	25.808
Gain from derivative transactions	11.830.755	4.049.774
Foreign exchange gain/losses	9.009.397	3.628.684
Trading Loss (-)	**21.815.032**	**8.640.584**
Losses on Capital Market Operations	37.509	20.669
Derivative Financial Instruments	10.646.999	4.963.011
Foreign Exchange Losses	11.130.524	3.656.904
Net Trading Income/Loss	**(921.442)**	**(936.318)**

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	**1.341.479**
12 Month Expected Credit Loss (Stage I)	79.852
Significant Increase in Credit Risk (Stage 2)	601.103
Lifetime ECL Impaired Credits (Stage 3)	660.524
Marketable Securities Impairment Provision	**25.824**
Financial Assets Measured at Fair Value Through Profit/Loss	16.502
Financial Assets Measured at Other Comprehensive Income	9.322
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	**-**
Investment in Associates	-
Subsidiaires	-
Joint Ventures	-
Other	**(84.392)**
Total	**1.282.911**

	Prior Period
Specific Provisions For Loans and Other Receivables	**681.004**
Loans and Receivables in Group III	208.728
Loans and Receivables in Group IV	128.053
Loans and Receivables in Group V	344.223
Other Provisions for Closely Monitored Loans	**(16.246)**
General Provisions	**74.938**
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	**(1.904)**
Total	**737.792**

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

7. Information on other operating expenses

	Current Period	Prior Period
Personnel expenses(*)	1.102.941	984.173
Reserve for employee termination benefits(*)	13.761	6.159
Bank social aid fund deficit provision	-	-
Impairment expenses on tangible fixed asset	-	-
Depreciation expenses on intangible fixed asset	103.073	106.252
Impairment expenses on intangible fixed asset	-	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible asset	88.444	85.374
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	925.667	821.883
Operational Leasing expenses	*180.398*	*166.513*
Maintenance expenses	*137.125*	*110.722*
Advertiesment expenses	*89.701*	*89.723*
Other expenses	*518.443*	*454.925*
Loss on sales of assets	27	348
Other (**)	396.002	296.123
Total	**2.629.915**	**2.300.312**

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

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

For the period ended September 30, 2018, net interest income of TL 5.553.563 (September 30, 2017 – TL 4.282.319), net fees and commission income of TL 1.583.612 (September 30, 2017 – TL 1.315.248) and other operating income of TL 56.799 (September 30, 2017 – TL 53.954) 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 September 30, 2018, the Group recorded current tax charge of TL 923.492 (September 30, 2017 - TL 105.059 current tax charge) and a deferred tax charge of TL 427.280 (September 30, 2017 – TL 240.224 deferred tax loss).

	Current Period	Prior Period
Current Tax Provision	(923.492)	(105.059)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/Expense	427.280	(240.224)
Total	**(496.212)**	**(345.283)**

9.2. Explanations on operating profit/loss after taxes

None (September 30, 2017 – None).

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

Net profit of the Group from continued operations is TL 1.901.258 (September30, 2017 – TL 1.364.169).

(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 (September 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	556	468

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 September 30, 2018, the Parent Bank's risk group has deposits amounting to TL 453.272 (December 31, 2017 – TL 640.640), cash loans amounting to TL 120 (December 31, 2017 – TL 146) and non-cash loans amounting to TL 18.652 (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	-	16.085	-	-	120	2.567
Interest and Commission Income	-	115	-	30	27	31

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 (**)	-	83	-	22	66	20

(*) As described in the Article 49 of Banking Law No 5411.
(**) Prior Period represents September 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	328.932	470.334	-	-	124.340	170.306
Interest on deposits (**)	22.151	44.567	-	-	16.623	10.194

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

(**) Prior Period represents September 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	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss(**)	-	(240)	19	-	-	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss(**)	-	-	-	-	-	-

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

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

1.4 Information on benefits provided for Key Management

As of September 30, 2018, the total amount of remuneration and bonuses paid to key management of the Group is TL 92.360 (September 30, 2017- TL 83.393).

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 September 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 0,5% (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

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

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

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

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

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

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

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

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

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

At QNB Finansbank, we have sustained our growth in the first 9 months of the year. As of 30 September 2018, the Bank's total assets grew by 43 percent compared to year-end results, reaching TRY 188 billion 173 million; performing loans by 25 percent reaching TRY 102 billion 101 million; and customer deposits by 33 percent reaching TRY 86 billion 436 million. Our bank's net profit for the 9-month period was realized as TRY 1 billion 901 million.

As of 30 September 2018, QNB Finansbank's total equity increased by 16 percent compared to the end of the previous year and amounted to TRY 14 billion 401 million, and, the Bank's capital adequacy ratio reached 15,52 percent.

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

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

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

Message by the General Manager

Dear Shareholders and Board Members,

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

As of 30 September 2018, the Bank's total assets grew by 43 percent compared to year-end results, reaching TRY 188 billion 173 million; performing loans by 25 percent reaching TRY 102 billion 101 million; and net customer deposits by 33 percent reaching TRY 86 billion 436 million. On the other hand, net profit for the 9-month period realized as TRY 1 billion 901 million.

The net interest income for the first nine months of 2018 increased by 30 percent compared to the same period of the previous year and reached TRY 5 billion 554 million, the net fee and commission income increased by 20 percent and reached TRY 1 billion 584 million. Compared to the end of the previous year, total equities increased by 16 percent and amounted to TRY 14 billion 401 million, and as of September 30, 2018, our capital adequacy ratio realized as 15.52 percent.

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

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

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

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

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

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

Principal Financial Indicators (Million TL)	September 30, 2018	December 31, 2017
Total Loans	102.101	81.635
Securities	21.264	15.608
Total Assets	188.173	131.195
Customer Deposits	86.436	65.198
Equity	14.401	12.428

	September 30, 2018	September 30, 2017
Net Interest Income	5.554	2.842
Net Fee and Commission Income	1.584	861
Provision for Loans and Other Receivables (-)	(1.283)	(521)
Profit Before Tax	**2.397**	**1.123**
Tax Provision	(496)	(228)
Net Profit for the Period	**1.901**	**896**

As of September 30, 2018 total assets of the Group increased by 43% and realized TL 188 billion and 173 million. When compared with the end of year 2017, performing loans increased by 25% and reached TL 102 billion and 101 million while Customer Deposits increased by 33% and reached up to TL 86 billion and 436 million.

When compared with the first nine-month of year 2017, net interest income grew 30% and reached TL 5 billion 554 million in the nine-month period of the year 2018. Net fees and commission income increased by 20% and reached TL 1 billion 584 million. Consolidated profit of the Group before tax reached TL 2 billion 397 million and the consolidated net profit for the first nine month came in at TL 1 billion 901 million.

When compared with the end of year 2017, total consolidated shareholders' equity increased by 16% and reached up to TL 14 billion 401 million. As of September 30, 2018 capital adequacy ratio of the Group was 15,52%.

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. As of September 30, 2018 total consolidated performing loans increased by 25% and reached TL 102 billion and 101 million in 2018 while total consolidated assets increased by 43% and reached TL 188 billion and 173 million compared to the end of 2017. 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 31%.

Liabilities

Total customer deposits of the Group increased by 33% and reached TL 86 billion and 436 million and shareholders' equity increased by 16% and reached TL 14 billion and 401 million.

Profitability

Net interest income increased by 30% and reached TL 5 billion and 554 million and net fees and commission income increased by 20% and reached TL 1 billion 584 million. Profit before tax of the Parent Bank reached TL 2 billion 397 million and the net profit for the period reached TL 1 billion 901 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 September 30, 2018 was TL 215.