

QNB FİNANSBANK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR’S AUDIT REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2018

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of QNB Finansbank Anonim Şirketi:

Report on the Audit of Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the matter is addressed in our audit
<p>Transition impact of TFRS 9 “Financial Instruments” Standard and recognition of impairment on financial assets and related significant disclosures</p> <p>As presented in Section 3 disclosure XXVI, as of 1 January 2018, the Bank adopted the TFRS 9 “Financial Instruments” standard began to recognize expected credit losses of financial assets in accordance with TFRS 9. We considered the transition to TFRS 9 and impairment of financial assets as a key audit matter since:</p> <ul style="list-style-type: none"> - Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements. - TFRS 9 transition has an effect on Bank’s equity. - There are complex and comprehensive requirements of TFRS 9. - The classification of the financial assets is based on the Bank’s business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Bank uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments. - Policies implemented by the Bank management include compliance risk to the regulations and other practices. - New or re-structured processes of TFRS 9 are advanced and complex. - Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive. - Disclosure requirements of TFRS 9 are comprehensive and complex. 	<p>Our audit procedures included among others include:</p> <ul style="list-style-type: none"> - Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Bank’s past experience, local and global practices. - Reviewing and testing of new or re-structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists. - Evaluating the reasonableness of management’s key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices. - Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Bank’s Business model. - Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and bank’s past performance. Evaluating the alignment of those forward looking parameters to Bank’s internal processes where applicable. - Assessing the completeness and the accuracy of the data used for expected credit loss calculation. - Testing the mathematical accuracy of expected credit loss calculation on sample basis. - Evaluating the judgments and estimates used for the individually assessed financial assets. - Evaluating the accuracy and the necessity of post-model adjustments. - Auditing of TFRS 9 disclosures.

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 – December 31, 2018 are not in compliance with the laws and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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



Damla Harman, SMMM
Partner

4 February 2019
İstanbul, Türkiye

**THE UNCONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2018**

The Bank's;

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Phone number : (0 212) 318 50 00

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E-mail address : investor.relations@qnbfinansbank.com

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

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

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

Ömer A. Aras
Chairman of
the Board of Directors

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

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

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

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

Temel Güzelöğlu
General Manager
and Member of the
Board of Directors

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

Ercan Sakarya
Director of Financial, Statutory
Reporting and
Treasury Control

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

Name-Surname/Title : Ercan Sakarya / Director of Financial, Statutory Reporting and Treasury Control

Phone Number : (0 212) 318 52 92

Facsimile Number : (0 212) 318 55 78

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

**QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**SECTION ONE
GENERAL INFORMATION**

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

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

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

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

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

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

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

**CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES
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**QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	Phd
Sinan Şahinbaş	Deputy Chairman and Executive Member	April 16, 2010	Masters
Ali Teoman Kerman	Board Member and Chairman of the Audit Committee	April 16, 2013	Masters
Ramzi Talat A. Mari	Board Member and Audit Committee Member	June 16, 2016	Masters
Fatma Abdulla S.S. Al-Suwaidi	Board Member	June 16, 2016	Masters
Durmuş Ali Kuzu	Board Member and Audit Committee Member	August 25, 2016	Phd
Temel Güzelöğlu	Board Member and General Manager	April 16, 2010	Masters
Abdulla Mubarak N.Al-khalifa	Board Member	June 16, 2016	Graduate
Assistant Prof. Osman Reha Yolalan	Board Member	June 16, 2016	Phd
Ali Rashid A.S.Al-Mohannadi	Board Member	June 16, 2016	Graduate
Noor Mohd J. A. Al-Naimi	Board Member and Audit Committee Member	June 22, 2017	Graduate
Adnan Menderes Yayla	Executive Vice President	May 20, 2008	Masters
Murat Şakar	Executive Vice President	August 1, 2008	Graduate
Köksal Çoban	Executive Vice President	August 19, 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	October 8, 2010	Phd
Erkin Aydın	Executive Vice President	May 16, 2011	Masters
Ömür Tan	Executive Vice President	October 28, 2011	Masters
Halim Ersun Bilgici	Executive Vice President	March 15, 2013	Masters
Enis Kurtoglu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Engin Turhan	Executive Vice President	June 14, 2016	Masters
Cumhur Türkmen	Executive Vice President	June 11, 2018	Graduate
Ahmet Erzençin	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Bülent Yurdalan	Head of Department of Internal Systems	August 6, 2013	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters
Zeynep Aydın Demirkıran	Head of Risk Management	September 16, 2011	Masters

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

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

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

V. Explanations on the Bank's services and activities

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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

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

All other subsidiaries are fully consolidated.

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance sheet (statement of financial position)
- II. Statement of off-balance sheet commitments and contingencies
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**CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES
AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

QNB FİNANSBANK ANONİM ŞİRKETİ

BALANCE SHEET AS OF DECEMBER 31, 2018 (STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET – ASSETS

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

BALANCE SHEET AS OF DECEMBER 31, 2018 (STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET – ASSETS

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

BALANCE SHEET AS OF DECEMBER 31, 2018 (STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET – LIABILITIES AND EQUITY

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

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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AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

QNB FİNANSBANK ANONİM ŞİRKETİ

BALANCE SHEET AS OF DECEMBER 31, 2018 (STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET – LIABILITIES AND EQUITY

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

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QNB FİNANSBANK ANONİM ŞİRKETİ

STATEMENT OF OFF-BALANCE SHEET AS OF DECEMBER 31, 2018

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

STATEMENT OF OFF-BALANCE SHEET AS OF DECEMBER 31, 2018

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2018
(STATEMENT OF INCOME/LOSS)
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

III. STATEMENT OF PROFIT OR LOSS

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

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2018
(STATEMENT OF INCOME/LOSS)
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

III. STATEMENT OF PROFIT OR LOSS

	Section 5 Part IV	Audited 01.01-31.12.2017
I. INTEREST INCOME	(1)	10.934.836
1.1 Interest on loans		9.319.852
1.2 Interest received from reserve deposits		113.120
1.3 Interest received from banks		200.243
1.4 Interest received from money market placements		54.185
1.5 Interest received from marketable securities portfolio		1.241.311
1.5.1 Held-for-trading financial assets		5.344
1.5.2 Financial assets at fair value through profit and loss		1.898
1.5.3 Available-for-sale financial assets		617.790
1.5.4 Investments held-to-maturity		616.279
1.6 Finance lease income		-
1.7 Other interest income		6.125
II. INTEREST EXPENSE	(2)	5.283.235
2.1 Interest on deposits		4.069.753
2.2 Interest on funds borrowed		596.917
2.3 Interest on money market borrowings		164.327
2.4 Interest on securities issued		438.658
2.5 Other interest expense		13.580
III. NET INTEREST INCOME (I - II)		5.651.601
IV. NET FEES AND COMMISSIONS INCOME		1.685.893
4.1 Fees and commissions received		2.048.989
4.1.1 Non-cash loans		84.629
4.1.2 Other		1.964.360
4.2 Fees and commissions paid		363.096
4.2.1 Non-cash loans		1.220
4.2.2 Other		361.876
V. DIVIDEND INCOME	(3)	14.499
VI. NET TRADING INCOME	(4)	(1.234.157)
6.1 Securities trading gains/ (losses)		4.000
6.2 Gains / (losses) from financial derivatives transactions		(1.257.498)
6.3 Foreign exchange gains/ (losses)		19.341
VII. OTHER OPERATING INCOME	(5)	131.780
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		6.249.616
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	1.233.440
X. OTHER OPERATING EXPENSES (-)	(7)	2.967.211
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		2.048.965
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-
XIII. GAIN / (LOSS) ON EQUITY METHOD		-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(8)	2.048.965
XVI. TAX CHARGE FOR CONTINUED OPERATIONS (±)	(9)	(445.524)
16.1 Current income tax charge		(446.266)
16.2 Deferred tax charge / benefit		742
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	1.603.441
XVIII. INCOME ON DISCONTINUED OPERATIONS		-
18.1 Income on assets held for sale		-
18.2 Income on sale of associates, subsidiaries and entities under common control		-
18.3 Income on other discontinued operations		-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-
19.1 Loss from assets held for sale		-
19.2 Loss on sale of associates, subsidiaries and entities under common control		-
19.3 Loss from other discontinued operations		-
XX. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	(8)	-
XXI. TAX CHARGE FOR DISCONTINUED OPERATIONS (±)	(9)	-
21.1 Current income tax charge		-
21.2 Deferred tax charge / benefit		-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	1.603.441
Earnings Per Share		0,04786

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2018***(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)***IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

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

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

		Audited
		01.01-31.12.2017
I.	ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	305.348
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-
V.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective Portion of Fair Value Differences)	239.675
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (Effective Portion of Fair Value Differences)	-
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS	(32.067)
IX.	DEFERRED TAX OF VALUATION DIFFERENCES	(87.323)
X.	TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	425.633
XI.	PROFIT/LOSS	1.603.441
11.1	Change in fair value of marketable securities (Transfer to Profit/Loss)	5.073
11.2	Reclassification and transfer of derivatives accounted for cash flow hedge purposes recycled to Income Statement	(1.327)
11.3	Transfer of hedge of net investments in foreign operations recycled to Income Statement	-
11.4	Other	1.599.695
XII.	TOTAL PROFIT / LOSS ACCOUNTED FOR THE PERIOD (X ± XI)	2.029.074

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED PERIOD
THEN ENDED DECEMBER 31, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

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

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

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss										Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss									
										Income/Expenses from Valuation and/or Reclassification of Financial Assets									
Audited	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Other ^(*)	Translation Differences	Measured at FVOCI	Other ^(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Equity				
Current Period- 01.01 – 31.12.2018																			
I.	Prior Period End Balance	3,350,000	714	-	-	-	(65,980)	412,984	-	(251,126)	231,892	6,873,477	1,603,441	-	12,155,402				
II.	Correction made as per TAS 8 ^(***)	-	-	-	-	-	-	-	-	88,513	-	-	(209,713)	-	(121,200)				
2.1	Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	88,513	-	-	(209,713)	-	(121,200)				
III.	Adjusted Balances at Beginning of Period (I+II)	3,350,000	714	-	-	-	(65,980)	412,984	-	(162,613)	231,892	6,873,477	1,393,728	-	12,034,202				
IV.	Total Comprehensive Income	-	-	-	-	-	15,138	382,725	-	(335,012)	165,167	-	-	2,409,829	2,637,847				
V.	Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
VI.	Capital Increase from Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
IX.	Subordinated Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
X.	Increase/Decrease by Others Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	1,293,728	(1,393,728)	-	(100,000)				
11.1	Dividends	-	-	-	-	-	-	-	-	-	-	-	(100,000)	-	(100,000)				
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	1,293,728	(1,293,728)	-	-				
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Balances at end of the period (III+IV...+X+XI)		3,350,000	714	-	-	-	(50,842)	795,709	-	(497,625)	397,059	8,167,205	-	2,409,829	14,572,049				

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

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

^(***) Information of transition TFRS 9 explained in Section three part XXVII.

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

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

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

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

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

VI. STATEMENT OF CASH FLOWS

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

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

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

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

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

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

VI. STATEMENT OF CASH FLOWS

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

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

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

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

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

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

VII. STATEMENT OF UNCONSOLIDATED PROFIT APPROPRIATION (*)

	Audited Current Period 31.12.2018(*)	Audited Prior period 31.12.2017
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 Current Year Income	3.058.741	2.048.965
1.2 Taxes And Duties Payable (-)	648.912	445.524
1.2.1 Corporate Tax (Income Tax)	711.041	446.266
1.2.2 Income Withholding Tax	-	-
1.2.3 Other Taxes And Duties(**)	(62.129)	(742)
A. NET INCOME FOR THE YEAR (1.1-1.2)	2.409.829	1.603.441
1.3 Prior Year Losses(-)	-	-
1.4 First Legal Reserves(-)	-	80.172
1.5 Other Statutory Reserves (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	2.409.829	1.523.269
1.6 First Dividend To Shareholders(-)	-	100.000
1.6.1 To Owners Of Ordinary Shares	-	100.000(**)
1.6.2 To Owners Of Privileged Shares	-	-
1.6.3 To Owners Of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders Of Profit And (Loss) Sharing Certificates	-	-
1.7 Dividends To Personnel (-)	-	-
1.8 Dividends To Board Of Directors (-)	-	-
1.9 Second Dividend To Shareholders(-)	-	-
1.9.1 To Owners Of Ordinary Shares	-	-
1.9.2 To Owners Of Privileged Shares	-	-
1.9.3 To Owners Of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders Of Profit And (Loss) Sharing Certificates	-	-
1.10 Second Legal Reserves (-)	-	-
1.11 Statutory Reserves(-)	-	-
1.12 Extraordinary Reserves	-	(1.423.269)
1.13 Other Reserves	-	-
1.14 Special Funds	-	-
II. DISTRIBUTION OF RESERVES		
2.1 Appropriated Reserves	-	-
2.2 Second Legal Reserves (-)	-	-
2.3 Dividends To Shareholders(-)	-	-
2.3.1 To Owners Of Ordinary Shares	-	-
2.3.2 To Owners Of Privileged Shares	-	-
2.3.3 To Owners Of Preferred Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders Of Profit And (Loss) Sharing Certificates	-	-
2.4 Dividends To Personnel(-)	-	-
2.5 Dividends To Board Of Directors(-)	-	-
III. EARNINGS PER SHARE		
3.1 To Owners Of Ordinary Shares	0,07194	0,04786
3.2 To Owners Of Ordinary Shares(%)	%7,19	%4,79
3.3 To Owners Of Privileged Shares	-	-
3.4 To Owners Of Privileged Shares (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 To Owners Of Ordinary Shares	-	0,00299
4.2 To Owners Of Ordinary Shares(%)	-	%0,30
4.3 To Owners Of Privileged Shares	-	-
4.4 To Owners Of Privileged Shares (%)	-	-

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

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

The accompanying notes are an integral part of these financial statements

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

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

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

Explanation for Convenience Translation to English

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

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

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

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

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

2.1. Changes in Accounting policies and disclosures

2.1.1. Major new and amended standards and interpretations

The Bank have started to apply TFRS 9 Financial Instruments (“TFRS 9”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the accompanying financial statements starting from 1 January 2018 for the first time based on 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 which came into force starting from 1 January 2018. TFRS 15 and other new TFRS/TAS amendments in effect do not have significant impact on the accounting policies, financial position and performance of the Bank. In addition, the bank completed its compliance studies with the TFRS 16 Leases (TFRS 16), effective from 1 January 2019, and concluded that the impact of the standard on the financial statements as of 31 December 2018 would increase the total assets and liabilities within the range of 0,2 - 0,3%.

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

TFRS 9 Financial Instruments

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

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

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

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

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

TFRS 15 Revenue from contracts with customers

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

TFRS 16 Leases

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

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

1. Strategy for the use of financial instruments

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

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

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

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

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

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2. Foreign currency transactions

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

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

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

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

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

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

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

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

IV. Explanations on Derivative Financial Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

In cash flow hedge accounting:

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

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

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In fair value hedge accounting:

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

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

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

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

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

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

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

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

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V. Explanations on Interest Income and Expenses

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

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

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

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

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Classification of financial instruments

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

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

Assessment of business model

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

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

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

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

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

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

Other business models

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

Measurement categories of financial assets and liabilities

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

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

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Financial assets at the fair value through profit or loss

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

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

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

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

Financial Assets Measured at Amortized Cost:

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

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

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

VIII. Explanations on Expected Credit Losses:

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

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

Stage 1:

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

Stage 2:

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

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Stage 3:

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

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

Calculation of expected credit losses

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

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

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

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

Probability of Default (PD)

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

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

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Loss Given Default (LGD)

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

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

Exposure at Default (EAD):

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

Consideration of the Macroeconomic Factors

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

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

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

Calculating the Expected Loss Period

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

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Significant increase in credit risk

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

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

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

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

IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of financial instruments

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

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

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

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

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

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c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

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

e) Restructuring and refinancing of financial instruments

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

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

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

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

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time).
- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring /refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing.

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

- Recovery in debt service,
- At least 1 year should pass over the date of restructuring,
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of

restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing,

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

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

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

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

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

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

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

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

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

XII. Explanations on Assets Held for Sale and Discontinued Operations

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

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

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

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XIII. Explanations on Goodwill and Other Intangible Assets

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

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

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

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

XIV. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

XV. Explanations on Leasing Transactions

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

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

The Bank has no leasing transactions as lessor.

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XVI. Explanations on Provisions and Contingent Liabilities

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

XVII. Explanations on Obligations of the Bank Concerning Employee Benefits

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

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

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

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

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

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

XVIII. Explanations on Taxation

1. Corporate Tax

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

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

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

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

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

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

2. Deferred Taxes

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

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

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

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

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

3. Transfer Pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing. “The General Communiqué on Disguised Profit Distribution by way of Transfer Pricing” published on November 18, 2007 explains the application related issues in detail. According to this Communiqué, 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 Communiqué’s 7.1 Annual Documentation section, taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

XIX. Explanations on Additional Explanations on Borrowings

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

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XX. Explanations on Share Issues

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

XXI. Explanations on Confirmed Bills of Exchange and Acceptances

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

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

XXII. Explanations on Government Incentives

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

XXIII. Explanations on Segment Reporting

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

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

The Corporate Marketing Unit provides services to firms that are institutional, big size, that have annual revenues of TL 300.000 and higher and multi-national firms operating in Turkey. The firms that have annual revenues between TL 40.000 and TL 300.000 are considered as "Commercial Enterprise". The Bank gives importance to the commercial segmentation in order to hedge risk and decrease the concentration of income. Moreover; The Bank also offers sectoral solution packages to these small and medium-size firms.

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The Consumer Banking meets the needs and expectations of the retail banking customers. The Private Banking Unit has formed and started to operate to serve customers with high level income, in a more effective way. The installments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line. The main function of Treasury Segment is managing the liquidity of the Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Bank.

Current Period (January 1 – December 31, 2018)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	2.078.539	2.739.986	2.864.848	7.683.373
Net Fees and Commissions Income	1.570.507	616.839	(47.461)	2.139.885
Other Operating Income and Net Trading Income	46.021	(420)	(1.387.284)	(1.341.683)
Personnel Expense (-)	325.944	405.578	693.581	1.425.103
Dividend Income	-	-	52.196	52.196
Operating Income	3.369.123	2.950.827	788.718	7.108.668
Other Operating Expenses	1.497.974	816.124	389.719	1.924.379
Provision for Loan Losses and Other Receivables	556.783	1.407.662	161.103	2.125.548
Profit Before Taxes	1.314.366	727.041	1.017.334	3.058.741
Provision for Tax(-)				648.912
Net Profit/Loss				2.409.829
Total Assets	33.403.626	60.614.395	51.913.752	157.415.735
Segment Assets	33.403.626	60.614.395	51.913.752	145.931.773
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	1.298.703
Undistributed Assets	-	-	-	10.185.259
Total Liabilities	56.362.699	27.049.207	46.618.573	157.415.735
Segment Liabilities	56.362.699	27.049.207	46.618.573	130.030.479
Undistributed Liabilities	-	-	-	12.813.207
Equity	-	-	-	14.572.049
Other Segment Accounts	419.024	228.292	(97.228)	550.088
Capital Expenditures	230.912	125.805	(60.075)	296.642
Depreciation and Amortization	188.112	102.487	(37.153)	253.446

Prior Period (January 1 – December 31, 2017)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	1.834.670	1.794.691	2.022.240	5.651.601
Net Fees and Commissions Income	1.137.582	599.152	(50.841)	1.685.893
Other Operating Income and Net Trading Income	88.035	31.163	(1.221.575)	(1.102.377)
Dividend Income	-	-	14.499	14.499
Operating Income	3.060.287	2.425.006	764.323	6.249.616
Other Operating Expenses (-)	1.625.224	1.106.568	235.419	2.967.211
Provision for Loan Losses and Other Receivables (-)	550.232	645.226	37.982	1.233.440
Profit Before Taxes	884.831	673.212	490.922	2.048.965
Provision for Tax(-)	-	-	-	445.524
Net Profit/Loss	-	-	-	1.603.441
Other Segment Accounts	259.139	176.440	43.795	482.455
Capital Expenditures	121.139	82.480	23.766	227.385
Amortization	138.000	93.960	20.029	251.989
Decrease of Value (Increase)	-	-	-	3.081

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

XXIV. Explanations on Profit Reserves and Profit Distribution

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

2017 profit distribution table:

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

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

XXV. Earnings Per Share

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

	Current Period	Prior Period
Net Profit for the Period	2.409.829	1.603.441
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
Earnings Per Share	0,07194	0,04786

In Turkey, companies can increase capital through “bonus share” distributed from previous year earnings to current shareholders. Such “bonus share” distributions are accounted as issued shares while calculating earnings per share. Accordingly, weighted average amount of shares issued used in these calculations is found through taking into consideration retroactive effects of subject share distributions. In case, amount of shares issued increases after the balance sheet date but before the date of financial statement preparation due to distribution of “bonus share”, earnings per share is calculated taking into consideration the new amount of shares.

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

XXVI. Explanations on Other Matters

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

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

	Book Value Before TFRS9 December 31, 2017	Reclassifications	Re-measures	TFRS 9 book value January 1, 2018	Tax Effect	Equity Effect
Financial Assets						
Measured at amortized cost						
Pre-classification balance (held to maturity)	7.168.664	-	-	-	-	-
Classified from Measured at Fair Value through Other Comprehensive Income	-	1.720.595	99.484	-	(21.888)	77.596
Classified as Measured at Fair Value through Other Comprehensive Income	-	(42.573)	-	-	-	-
Post-classification book value	-	-	-	8.946.170	-	-
Measured at Fair Value through Other Comprehensive Income						
Pre-classification Balance (Available to Sale)	8.349.710	-	-	-	-	-
Classified as Held-to-Maturity	-	42.573	2.872	-	(632)	2.240
Classified to Held-to-Maturity	-	(1.720.595)	-	-	-	-
Post-classification book value	-	-	-	6.674.560	-	-
Expected loss provision	-	-	11.124	-	(2.447)	8.677
Loans and Other Receivables Measured at Amortized Cost (Gross)						
Pre-classification value measured at Amortized Cost	86.202.301	-	-	-	-	-
Financial Assets Measured at Fair Value through Profit/Loss	10.579	-	-	-	-	-
Classified to Measured at Amortized Cost	-	10.579	-	-	-	-
Classified from Measured at Fair Value through Profit/Loss	-	(10.579)	-	-	-	-
Post-classification value measured at Amortized cost	-	-	-	86.212.880	-	-
Post-classification value Measured at Fair Value through Profit/Loss	-	-	-	-	-	-
Expected loss provision (*)	(5.101.253)	-	(651.561)	(5.752.814)	441.848	(209.713)

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

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

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

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

	Book Value Before TFRS 9 December 31, 2017	Remeasurements	Book Value After TFRS 9 January 1, 2018
Loans	4.883.424	605.658	5.489.082
Stage 1	1.124.990	(117.112)	1.007.878
Stage 2	228.613	871.900	1.100.513
Stage 3	3.529.821	(149.130)	3.380.691
Financial Assets(*)	59.270	(18.424)	40.846
Non-Cash Loans (**)	158.559	64.327	222.886
Stage 1 and 2	91.845	120.072	211.917
Stage 3	66.714	(55.745)	10.969
Total	5.101.253	651.561	5.752.814

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

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

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3. Effects on equity with TFRS 9 transition

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

The amounting to TL 651.561 difference which is an expense between the provision for impairment of the previous period of the Bank and the provision for loss that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as "Extraordinary Reserves" in shareholders' equity.

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

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

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

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

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

1. Explanations and Disclosures on Financial Assets

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

a. Financial assets at fair value through profit or loss

a.1. Financial assets held for trading

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

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

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

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

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

b. Investment securities available for sale

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

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

When investment securities available for sale are sold, collected or otherwise disposed of, the cumulative fair value adjustments under equity are transferred to the income statement. The Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity portfolios. CPI government bonds that are constant throughout their lives and their real principal amounts are preserved from inflation.

These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate as disclosed by the Turkish Treasury. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

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

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

c. Investment securities held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from held-to-maturity financial assets is accounted in income statement.

There are no financial assets previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the contradiction of classification principles.

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d. Loans and specific provisions

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

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

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

Provision is set for the loans that maybe doubtful and amount is charged in the current period income statement.

In the case where there is an evidence for the possibility of uncollectability of loans, the Bank classifies related loans and receivables in non-performing loans and provides specific provision in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 26333 “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables”. The Bank provides specific provision for the loans under follow-up regarding credit risk and other factors, in accordance with the aforementioned regulation. Additionally, the Bank provides general provisions in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 28789 “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” and accounts such provision at the liability side of the balance sheet under general loan loss provision.

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

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

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

e. Derivative instruments

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

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

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2. Explanations on Fees and Commission Income and Expenses

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

3. Explanations on Tax Implementation

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

4. Explanations on Fees and Commission Income and Expenses

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

5. Explanations on Leasing Transactions

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

6. Explanations on factoring receivables

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

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. Explanations on Equity

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of December 31, 2018 Bank’s total capital has been calculated as TL 18.864.272 (December 31, 2017 – TL 14.142.352), capital adequacy ratio is 15,42%. (December 31, 2017 – 14,99%). This ratio is well above the minimum ratio required by the legislation.

Components of unconsolidated shareholders’ equity items:

	Current Period December 31, 2018	1/1/2014 Amounts related to previous application^(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.350.000	
Share issue premiums	714	
Reserves	8.167.205	
Gains recognized in equity as per TAS	859.788	
Profit	2.409.829	
Current Period Profit	2.409.829	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	2.689	
Common Equity Tier 1 Capital Before Deductions	14.790.225	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	615.234	
Improvement costs for operating leasing	67.876	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	370.964	370.964
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	1.054.074	
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	521.248	
Total Common Equity Tier 1 Capital	14.257.399	

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	Current Period December 31, 2018	1/1/2014 Amounts related to previous application(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	14.257.399	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	3.308.715	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.381.696	
Tier II Capital Before Deductions	4.690.411	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	4.690.411	
Total Capital (The sum of Tier I Capital and Tier II Capital)	18.947.810	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.890	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	70.648	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	

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	Current Period December 31, 2018	1/1/2014 Amounts related to previous application (*)
TOTAL CAPITAL		
Total Capital	18.864.272	
Total risk weighted amounts	122.314.929	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	%11,66	
Tier 1 Capital Adequacy Ratio (%)	%11,66	
Capital Adequacy Ratio (%)	%15,42	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	%1,88	
a) Capital conservation buffer requirement	%1,88	
b) Bank specific counter-cyclical buffer requirement	%0,01	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	%5,65	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	151.473	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2.853.495	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.381.696	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	3.308.715	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.478.704	

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Information on Equity Accounts:	Prior Period December 31, 2017	1/1/2014 Amounts related to previous application(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.350.000	
Share issue premiums	714	
Reserves	6.873.477	
Gains recognized in equity as per TAS	410.295	
Profit	1.603.441	
Current Period Profit	1.603.441	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	2.689	
Common Equity Tier 1 Capital Before Deductions	12.240.616	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	317.106	
Improvement costs for operating leasing	69.808	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	236.740	295.925
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss	-	
amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	623.654	
Total Common Equity Tier 1 Capital	11.616.962	

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	Prior Period December 31, 2017	1/1/2014 Amounts related to previous application(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	59.185	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	11.557.777	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	1.568.424	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.047.498	
Tier II Capital Before Deductions	2.615.922	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	2.615.922	
Total Capital (The sum of Tier I Capital and Tier II Capital)	14.173.699	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.355	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	18.992	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

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	Prior Period December 31, 2017	1/1/2014 Amounts related to previous application (*)
TOTAL CAPITAL		
Total Capital	14,142,352	
Total risk weighted amounts	94,325,508	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12,32%	
Tier 1 Capital Adequacy Ratio	12,25%	
Capital Adequacy Ratio	14,99%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	1,76%	
Capital conservation buffer requirement	1,25%	
Bank specific counter-cyclical buffer requirement	0,01%	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,32%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	151,969	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,396,268	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,047,498	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	1,568,424	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1,899,040	

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

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Information on debt instruments included in the calculation of equity:

	1	2	3	4
Issuer	QATAR NATIONAL BANK S.A.Q.	QATAR NATIONAL BANK S.A.Q.	QATAR NATIONAL BANK S.A.Q.	QATAR NATIONAL BANK S.A.Q.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	Yes	Yes	None
Eligible at stand-alone / consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	1.710	142	89	1.368
Par value of instrument (Currency in million)	1.710	1.052	658	1.368
Accounting classification	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost
Original date of issuance	June 29, 2018	October 6, 2009	December 28, 2009	May 22, 2017
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	12 years	12 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends	6 months	6 months	6 months	6 months
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
Coupon rate and any related index	LIBOR + %5,30	LIBOR + %4,34	LIBOR + %4,34	LIBOR + %3,87
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-

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

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

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

EQUITY ITEMS	T	T-1	T-2	T-3	T-4
Common Equity	14.257.399	13.980.095	13.898.781	13.817.466	13.736.151
Transition process not implemented Common Equity	13.736.151	13.736.151	13.736.151	13.736.151	13.736.151
Tier 1 Capital	14.257.399	13.980.095	13.898.781	13.817.466	13.736.151
Transition process not implemented Tier 1 Capital	13.736.151	13.736.151	13.736.151	13.736.151	13.736.151
Total Capital	18.864.272	18.586.968	18.505.653	18.424.338	18.343.024
Transition process not implemented Equity	18.343.024	18.343.024	18.343.024	18.343.024	18.343.024
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	122.314.929	122.314.929	122.314.929	122.314.929	122.314.929
Capital Adequacy Ratio					
Common Equity Adequacy Ratio (%)	%11,66	%11,43	%11,36	%11,30	%11,23
Transition process not implemented Common Equity Ratio (%)	%11,23	%11,23	%11,23	%11,23	%11,23
Tier 1 Capital Adequacy Ratio (%)	%11,66	%11,43	%11,36	%11,30	%11,23
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	%11,23	%11,23	%11,23	%11,23	%11,23
Capital Adequacy Ratio (%)	%15,42	%15,20	%15,13	%15,06	%15,00
Transition process not implemented Capital Adequacy Ratio (%)	%15,00	%15,00	%15,00	%15,00	%15,00
LEVERAGE					
Leverage Ratio Total Risk Amount	226.814.736	226.814.736	226.814.736	226.814.736	226.814.736
Leverage(%)	%6,22	%6,22	%6,22	%6,22	%6,22
Transition process not implemented Leverage Ratio(%)	%6,06	%6,06	%6,06	%6,06	%6,06

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

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

II. Explanations On Risk Management :

1. Explanations on Credit Risk

Credit risk represents the risk arising due to the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally.

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

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

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

Loan limits of the loan customers are revised periodically in line with the Bank's loan limit revision procedures. The Bank analyses the credibility of the loans within the framework of its loan policies and obtains collaterals for loans.

The Bank has control limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

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

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

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

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

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

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The policies implemented by the bank regarding the calculation of expected loss provisions are explained in note VIII of the third part. The bank has taken the general provision for overdue loans and special provision for impaired loans under the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) into consideration.

The receivables of the Bank from its top 100 cash loan customers are 26% in the total cash loans (December 31, 2017 – 21%).

The receivables of the Bank from its top 200 cash loan customers are 30% in the total cash loans (December 31, 2017 - 24%).

The receivables of the Bank from its top 100 non-cash loan customers are 52% in the total non-cash loans (December 31, 2017 – 47%).

The receivables of the Bank from its top 200 non-cash loan customers are 62% in the total non-cash loans (December 31, 2017 – 56%).

The share of cash and non-cash receivables of the Bank from its top 100 loan customers in total cash and non - cash loans is 25% (December 31, 2017 – 26%).

The share of cash and non-cash receivables of the Bank from its top 200 loan customers in total cash and non - cash loans is 31% (December 31, 2017 – 30%).

The general loan loss provision taken by the Bank is TL 2.853.495. (December 31, 2017-TL 1.396.268).

As of December 31, 2018, the Bank does not take any provision for probable risks in loan portfolio amounted (December 31, 2017-TL 108.450 TL).

	Current Period		Prior Period	
	Current Period Risk Amount(*)	Average Risk Amount(**)	Prior Period Risk Amount(*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments and Central Banks	37.533.317	35.515.103	31.074.212	27.533.656
Conditional and unconditional receivables from regional or local governments	83.606	55.545	5.346	8.990
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	224.563	148.266	73.515	56.916
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	21.259.608	21.225.512	14.837.238	13.893.963
Conditional and unconditional receivables from corporates	54.205.109	47.939.134	39.539.612	33.448.593
Conditional and unconditional receivables from retail portfolios	52.335.034	50.550.977	45.761.846	42.068.202
Conditional and unconditional receivables secured by mortgages	6.096.008	7.742.898	8.951.095	9.009.808
Past due receivables	1.308.493	983.134	800.278	616.268
Receivables defined under high risk category by BRSA	120.409	46.828	1.872	28.529
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Investment in equities	1.416.874	1.187.050	977.304	140.372
Other receivables	7.099.718	5.921.662	4.269.888	5.100.825

(*)The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction.

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

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Profile of significant exposures in major regions:

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
Domestic	37.533.317	83.606	224.563	-	-	2.353.934	53.575.103	52.317.587	6.090.521	1.307.500	87.317	-	-	-	-	1.416.874	7.099.718	162.090.040
EU countries	-	-	-	-	-	15.642.600	411.226	118	201	11	19.793	-	-	-	-	-	-	16.073.949
OECD countries (**)	-	-	-	-	-	195.934	5.844	6	4.772	-	13.299	-	-	-	-	-	-	219.855
Off-shore banking regions	-	-	-	-	-	366.208	70.123	8	60	-	-	-	-	-	-	-	-	436.399
USA, Canada	-	-	-	-	-	920.245	23.312	164	83	-	-	-	-	-	-	-	-	943.804
Other countries	-	-	-	-	-	1.780.687	119.501	17.151	371	982	-	-	-	-	-	-	-	1.918.692
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	37.533.317	83.606	224.563	-	-	21.259.608	54.205.109	52.335.034	6.096.008	1.308.493	120.409	-	-	-	-	1.416.874	7.099.718	181.682.739
	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
Domestic	31.074.212	5.346	73.515	-	-	3.173.783	39.079.371	45.753.500	8.950.083	800.274	4	-	-	-	-	75.802	4.269.888	133.255.778
EU countries	-	-	-	-	-	11.060.518	280.881	907	749	-	1.868	-	-	-	-	-	-	11.344.923
OECD countries (**)	-	-	-	-	-	68.205	12.624	6	-	-	-	-	-	-	-	-	-	80.835
Off-shore banking regions	-	-	-	-	-	24.388	73.355	23	82	-	-	-	-	-	-	-	-	97.848
USA, Canada	-	-	-	-	-	474.340	9.517	215	105	-	-	-	-	-	-	-	-	484.177
Other countries	-	-	-	-	-	36.004	83.864	7.195	76	4	-	-	-	-	-	-	-	127.143
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	901.502	-	901.502
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	31.074.212	5.346	73.515	-	-	14.837.238	39.539.612	45.761.846	8.951.095	800.278	1.872	-	-	-	-	977.304	4.269.888	146.292.206

(*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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

(***) Includes assets and liability items that can not be allocated on a consistent basis.

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from international organizations
- 6-Conditional and unconditional receivables from banks and brokerage houses
- 7-Conditional and unconditional receivables from corporates
- 8-Conditional and unconditional retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 10-Past due receivables
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Risk profile by sectors or counterparties:

Current Period	Exposure Categories(*)																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Agriculture	-	-	61.801	-	-	-	445.446	2.088.263	15.333	97.049	11.759	-	-	-	-	-	-	2.487.667	231.984	2.719.651
Farming and Livestock	-	-	61.801	-	-	-	264.357	2.052.031	13.518	96.233	11.759	-	-	-	-	-	-	2.455.523	44.176	2.499.699
Forestation	-	-	-	-	-	-	773	5.772	203	247	-	-	-	-	-	-	-	6.995	-	6.995
Fishing Industry	-	-	-	-	-	-	180.316	30.460	1.612	569	-	-	-	-	-	-	-	25.149	187.808	212.957
Industrial	-	31.103	-	-	-	-	18.112.507	4.435.765	510.692	242.984	34.449	-	-	-	-	-	-	9.033.259	14.334.241	23.367.500
Mining and Quarrying	-	-	-	-	-	-	228.559	90.843	2.016	1.629	206	-	-	-	-	-	-	226.721	96.532	323.253
Manufacturing Industry	-	-	-	-	-	-	13.760.753	4.305.183	506.626	241.130	34.243	-	-	-	-	-	-	8.346.753	10.501.182	18.847.935
Electricity, Gas, Water	-	31.103	-	-	-	-	4.123.195	39.739	2.050	225	-	-	-	-	-	-	-	459.785	3.736.527	4.196.312
Construction	-	-	-	-	-	-	4.323.179	3.031.745	574.655	173.770	23.070	-	-	-	-	-	-	6.023.819	2.102.600	8.126.419
Services	16.812.956	33	25.671	-	-	19.758.026	28.670.061	11.289.872	1.713.114	501.596	24.108	-	-	-	-	-	-	27.902.317	50.893.120	78.795.437
Wholesale and Retail Trade	-	-	7.882	-	-	-	6.281.950	8.989.994	471.732	382.375	17.600	-	-	-	-	-	-	13.151.146	3.000.387	16.151.533
Hotels and Restaurants	-	-	-	-	-	-	2.606.329	267.994	89.174	33.310	534	-	-	-	-	-	-	527.586	2.469.755	2.997.341
Transportation and Communications	-	-	-	-	-	-	9.683.367	752.961	27.397	34.927	2.417	-	-	-	-	-	-	1.148.025	9.353.044	10.501.069
Financial Institutions	16.812.956	33	-	-	-	19.758.026	1.064.978	72.054	235	701	257	-	-	-	-	-	-	10.811.905	26.897.335	37.709.240
Real Estate and Rent Services	-	-	-	-	-	-	5.202.133	238.590	999.772	8.511	1.713	-	-	-	-	-	-	384.232	6.066.487	6.450.719
Independent Business Services	-	-	17.630	-	-	-	1.071.927	493.858	19.773	26.709	1.072	-	-	-	-	-	-	913.442	717.527	1.630.969
Education Services	-	-	114	-	-	-	161.869	190.831	18.201	6.388	-	-	-	-	-	-	-	344.835	32.568	377.403
Health and Social Services	-	-	45	-	-	-	2.597.508	283.590	86.830	8.675	515	-	-	-	-	-	-	621.146	2.356.017	2.977.163
Other	20.720.361	52.470	137.091	-	-	1.501.582	2.653.916	31.489.389	3.282.214	293.094	27.023	-	-	-	-	1.416.874	7.099.718	57.393.730	11.280.002	68.673.732
Total	37.533.317	83.606	224.563	-	-	21.259.608	54.205.109	52.335.034	6.096.008	1.308.493	120.409	-	-	-	-	1.416.874	7.099.718	102.840.792	78.841.947	181.682.739

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

- 1-Conditional and unconditional receivables from central governments or central banks
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Prior Period	Exposure Categories(*)																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Agriculture	-	1	677	-	-	-	442.178	2.327.266	43.632	41.793	-	-	-	-	-	-	-	2.665.985	189.562	2.855.547
Farming and Livestock	-	1	677	-	-	-	307.675	2.297.077	40.140	41.398	-	-	-	-	-	-	-	2.631.213	55.755	2.686.968
Forestation	-	-	-	-	-	-	-	7.347	-	146	-	-	-	-	-	-	-	7.493	-	7.493
Fishing Industry	-	-	-	-	-	-	134.503	22.842	3.492	249	-	-	-	-	-	-	-	27.279	133.807	161.086
Industrial	-	5.283	7.503	-	-	-	13.945.282	4.342.032	730.205	105.457	-	-	-	-	-	-	-	8.037.662	11.098.100	19.135.762
Mining and Quarrying	-	-	-	-	-	-	224.103	94.533	3.234	818	-	-	-	-	-	-	-	258.079	64.609	322.688
Manufacturing Industry	-	-	7.503	-	-	-	10.491.196	4.217.308	724.292	104.638	-	-	-	-	-	-	-	7.276.934	8.268.003	15.544.937
Electricity, Gas, Water	-	5.283	-	-	-	-	3.229.983	30.191	2.679	1	-	-	-	-	-	-	-	502.649	2.765.488	3.268.137
Construction	-	-	1	-	-	-	5.630.597	2.905.110	893.414	56.002	-	-	-	-	-	-	-	6.001.044	3.484.080	9.485.124
Services	16.626.612	37	17.986	-	-	14.423.341	17.998.469	11.706.345	1.956.000	310.764	40	-	-	-	-	-	-	26.340.219	36.699.375	63.039.594
Wholesale and Retail Trade	-	-	1.119	-	-	-	6.081.348	9.273.884	688.472	248.689	1	-	-	-	-	-	-	13.462.702	2.830.811	16.293.513
Hotels and Restaurants	-	-	-	-	-	-	1.260.434	230.191	158.129	19.904	-	-	-	-	-	-	-	482.772	1.185.886	1.668.658
Transportation and Communications	-	-	1	-	-	-	5.152.117	822.525	47.045	17.296	-	-	-	-	-	-	-	1.170.159	4.868.825	6.038.984
Financial Institutions	16.626.612	33	-	-	-	14.423.341	441.172	72.672	3.620	764	39	-	-	-	-	-	-	8.992.391	22.575.862	31.568.253
Real Estate and Rent Services	-	-	-	-	-	-	2.463.774	248.496	811.105	10.389	-	-	-	-	-	-	-	398.880	3.134.884	3.533.764
Independent Business Services	-	-	16.579	-	-	-	762.232	571.227	113.890	8.711	-	-	-	-	-	-	-	781.874	690.765	1.472.639
Education Services	-	-	200	-	-	-	167.358	161.650	26.798	1.855	-	-	-	-	-	-	-	321.639	36.222	357.861
Health and Social Services	-	4	87	-	-	-	1.670.034	325.700	106.941	3.156	-	-	-	-	-	-	-	729.802	1.376.120	2.105.922
Other	14.447.600	25	47.348	-	-	413.897	1.523.086	24.481.093	5.327.844	286.262	1.832	-	-	-	-	977.304	4.269.888	44.811.601	6.964.578	51.776.179
Total	31.074.212	5.346	73.515	-	-	14.837.238	39.539.612	45.761.846	8.951.095	800.278	1.872	-	-	-	-	977.304	4.269.888	87.856.511	58.435.695	146.292.206

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

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

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	6.925	327.787	85.667	550.871	19.233.346
Conditional and unconditional receivables from regional or local governments	351	-	-	-	83.223
and unconditional receivables from administrative bodies and noncommercial enterprises	4.151	12.070	17.449	65.711	117.531
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	3.652.725	1.802.632	1.331.112	163.738	2.929.945
Conditional and unconditional receivables from corporates	5.353.341	3.266.510	5.005.183	5.623.091	30.369.563
Conditional and unconditional receivables from retail portfolios	2.262.632	3.499.162	3.758.408	5.725.893	23.847.380
Conditional and unconditional receivables secured by mortgages	35.456	136.013	216.477	474.456	5.165.642
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	75	182	263	-	631
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock Investments	118.171	-	-	-	-
Other receivables	-	-	-	-	-
Total	11.433.827	9.044.356	10.414.559	12.603.760	81.747.261

(*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration.

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	2.355.527	224.773	62.526	136.923	13.423.209
Conditional and unconditional receivables from regional or local governments	13	-	-	5.272	-
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	3.615	41.268	1.751	6.953	8.707
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	4.253.581	1.722.966	505.926	1.077.741	2.075.488
Conditional and unconditional receivables from corporates	3.946.610	2.394.276	3.955.100	5.492.354	20.810.461
Conditional and unconditional receivables from retail portfolios	1.805.990	3.023.666	3.401.066	5.250.290	22.504.718
Conditional and unconditional receivables secured by mortgages	69.690	146.659	353.155	693.599	7.591.428
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	39	-	191	-	457
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Other receivables	75.802	-	-	-	-
Total	12.510.867	7.553.608	8.279.715	12.663.132	66.414.468

(*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration.

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Exposures by risk weights:

Current Period											Deductio ns from Equity
Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	
1. Exposures Before Credit Risk Mitigation	31.503.994	-	4.817.784	-	15.905.422	56.500.118	72.835.012	120.409	-	-	522.378
2. Exposures After Credit Risk Mitigation	38.524.655	-	2.466.405	3.540.454	10.454.821	46.067.807	68.027.116	120.309	-	-	522.378

Prior Period											Deductio ns from Equity
Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	
1. Exposures Before Credit Risk Mitigation	26.494.050	-	5.089.909	-	7.953.663	52.117.860	54.634.853	1.872	-	-	430.252
2. Exposures After Credit Risk Mitigation	33.607.133	-	2.174.703	5.902.853	6.570.883	38.366.948	48.915.257	1.872	-	-	430.252

Information by major sectors and type of counterparties:

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

Current Period		Loans ^(*)		Provisions	
		Impaired Loans (TFRS 9)			
Major Sectors / Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Non-Performing (Regulation of Provision)	Provision For Expected Losses of Credit	(Regulation of Provision)
1. Agriculture	466.738	219.393	-	172.037	-
1.1. Farming and Livestock	460.859	216.049	-	169.013	-
1.2. Forestation	146	621	-	374	-
1.3. Fishing	5.733	2.723	-	2.650	-
2. Industrial	1.366.804	941.265	-	1.181.425	-
2.1. Mining and Quarrying	41.140	7.452	-	9.204	-
2.2. Manufacturing Industry	1.025.218	932.428	-	878.963	-
2.3. Electricity, Gas, Water	300.446	1.385	-	293.258	-
3. Construction	1.191.113	455.499	-	453.671	-
4. Services	3.729.742	2.002.453	-	2.140.214	-
4.1. Wholesale and Retail Commerce	1.427.349	1.497.816	-	1.308.354	-
4.2. Hotel and Restaurant Services	537.407	188.419	-	236.235	-
4.3. Transportation and Communication	306.748	120.086	-	122.717	-
4.4. Financial Corporations	754.402	23.425	-	211.790	-
4.5. Real Estate and Loan Services	69.278	20.207	-	27.611	-
4.6. Independent Business Services	463.980	75.831	-	144.895	-
4.7. Education Services	88.722	34.643	-	43.273	-
4.8. Health and Social Services	81.856	42.026	-	45.339	-
5. Other	3.162.964	2.536.642	-	2.421.931	-
6. Total	9.917.361	6.155.252	-	6.369.278	-

^(*) Represents the distribution of cash loans.

Prior Period		Loans (*)		
Major Sectors / Counterparties	Impaired Loans	Past Due Loans	Value Adjustments	Provisions
1. Agriculture	113.483	155.252	3.505	71.727
1.1. Farming and Livestock	111.805	151.236	3.352	70.444
1.2. Forestation	249	124	3	103
1.3. Fishing	1.429	3.892	150	1.180
2. Industrial	585.236	411.586	30.670	479.638
2.1. Mining and Quarrying	6.482	21.006	490	5.664
2.2. Manufacturing Industry	578.452	388.240	30.130	473.673
2.3. Electricity, Gas, Water	302	2.340	50	301
3. Construction	274.562	264.867	13.975	218.450
4. Services	1.338.988	991.423	39.718	1.010.306
4.1. Wholesale and Retail Commerce	1.024.853	557.942	27.219	775.398
4.2. Hotel and Restaurant Services	131.158	176.972	4.919	94.201
4.3. Transportation and Communication	65.326	74.245	1.732	47.973
4.4. Financial Corporations	18.750	10.253	246	14.939
4.5. Real Estate and Loan Services	14.732	3.587	88	7.348
4.6. Independent Business Services	40.161	61.570	1.494	31.450
4.7. Education Services	20.643	55.157	2.059	18.788
4.8. Health and Social Services	23.365	51.697	1.961	20.209
5. Other	2.017.835	589.221	31.834	1.749.700
6. Total	4.330.104	2.412.349	119.702	3.529.821

^(*) Represents the distribution of cash loans.

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Movements in value adjustments and provisions

Current Period	Opening Balance	TFRS 9 Transition Effect	Provision for Period	Provision Reversals	Other Adjustments^(*)	Closing Balance
1. Special Provision	3.529.821	(149.130)	1.816.666	(341.007)	(110.214)	4.746.136
2. General Provisions	1.396.268	856.346	600.792			2.853.495

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

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments^(*)	Closing Balance
1. Special Provision	3.227.857	1.487.756	(431.207)	(754.585)	3.529.821
2. General Provisions	1.288.394	107.874	-	-	1.396.268

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

Exposures subject to countercyclical capital buffer:

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué “Regulation on Capital Conservation and Countercyclical Capital buffers of Banks” published in the Official Gazette numbered 28812 dated 5 November 2013 is presented below:

Information on private sector receivables:

Current Period	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Country			
Turkey	97.315.234	-	97.315.234
Malta	405.321	-	405.321
Other	40.844	-	40.844
Total	97.761.399	-	97.761.399

Prior Period	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Country			
Turkey	73.872.823	-	73.872.823
Malta	273.819	-	273.819
Other	101.438	-	101.438
Total	74.248.080	-	74.248.080

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2. Risk Management and General Disclosures regarding Risk Weighted Amounts

2.1. GBA – Risk Management Approach of the Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Key elements and scope of Risk Measurement Systems

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

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

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

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

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

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

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk.

Credit Risk section of the report consists of three main sub sections such as General Outlook to the Total Portfolio, Business Loans and Retail Loans, and include;

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

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

Reports are prepared daily and indicatively include the following:

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

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

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

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

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

Market Risk Management defines the stress test approaches as below;

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

Trading book consists of Financial Assets at Fair Value Through Profit or Loss securities, Financial Assets at Fair Value Through Profit or Loss derivatives and open currency positions which are clearly defined in Market Risk Management Policy.

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

First, it is generally the case that internal expectations about the effectiveness of CRM are based on the internal experience of the Bank, incorporated in the respective credit risk control framework, including its lending processes, and are typically conservatively adjusted, using for example recognition rates per collateral type.

Likewise, conservatism is also embedded in regulatory rules through respective haircuts, collateral eligibility requirements and so forth. Furthermore, the collaterals used as a risk mitigant in the Bank's capital adequacy calculations are predominantly cash or equivalent collaterals. The treatment of cash collaterals is straight forward, issues about recovery, and valuation are not relevant.

Regarding the exposure secured with mortgages, the new capital adequacy regime with Basel II increased the operational requirements for the recognition.

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2.2 GB1 – Overview of Risk Weighted Assets:

	Risk Weighted Amount		Minimum Capital Requirement	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
1 Credit Risk (excluding counterparty Credit Risk)	106.848.199	81.920.527	8.547.856	6.553.642
2 Standardized approach	106.848.199	81.920.527	8.547.856	6.553.642
3 Internal rating-based approach	-	-	-	-
4 Counterparty credit risk	3.687.514	1.879.275	295.001	150.342
5 Standardized approach for counterparty credit Risk	3.687.514	1.879.275	295.001	150.342
6 Internal model method	-	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8 Investments made in collective investment companies – look-through approach	-	-	-	-
9 Investments made in collective investment companies – mandate-based approach	-	-	-	-
10 Investments made in collective investment companies - 1250% weighted risk approach	-	-	-	-
11 Settlement risk	-	-	-	-
12 Securitization positions in banking accounts	-	-	-	-
13 IRB ratings-based approach	-	-	-	-
14 IRB Supervisory Formula Approach	-	-	-	-
15 SA/simplified supervisory formula approach	-	-	-	-
16 Market risk	1.778.238	1.715.437	142.259	137.235
17 Standardized approach	1.778.238	1.715.437	142.259	137.235
18 Internal model approaches	-	-	-	-
19 Operational Risk	10.000.978	8.810.269	800.078	704.822
20 Basic Indicator Approach	10.000.978	8.810.269	800.078	704.822
21 Standard Approach	-	-	-	-
22 Advanced measurement approach	-	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24 Floor adjustment	-	-	-	-
25 TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	122.314.929	94.325.508	9.785.194	7.546.041

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3.Linkages between financial statements and risk amount

3.1 B1 - Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

Current Period	Carrying values of items in accordance with TAS					
	Financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with the Central Bank	18.474.301	18.511.442	-	-	-	-
Trading Financial Assets ^(*)	5.481.286	-	5.474.025	-	5.070.007	-
Financial Assets at Fair Value Through Profit or Loss	28.450	-	-	-	28.450	-
Banks	1.231.644	1.232.085	-	-	-	-
Money Market Placements	102.065	2.000	100.070	-	-	-
Financial Assets Available-for-Sale (net)	8.444.055	8.444.055	2.814.590	-	-	-
Loans and Receivables	94.018.022	96.620.453	-	-	-	83.538
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (net)	12.895.116	12.932.193	3.673.636	-	-	-
Investment in Associates (net)	5.982	5.982	-	-	-	-
Investment in Subsidiaries (net)	1.141.248	1.141.248	-	-	-	-
Investment in Joint ventures (net)	151.473	151.473	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging ^(*)	6.964.254	-	6.964.254	-	-	-
Property And Equipment (Net)	2.861.922	2.794.046	-	-	-	67.876
Intangible Assets (Net)	397.179	26.215	-	-	-	370.964
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	522.283	522.283	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	4.696.455	4.698.463	-	-	-	-
TOTAL ASSETS	157.415.735	147.081.938	19.026.575	-	5.098.457	522.378
Liabilities						
Deposits	87.090.453	-	-	-	-	87.090.453
Derivative Financial Liabilities Held for Trading ^(**)	5.731.640	-	-	-	4.912.695	818.945
Funds Borrowed	18.166.249	-	-	-	-	18.166.249
Money Markets	4.714.819	-	4.714.819	-	-	-
Marketable Securities Issued	8.904.455	-	-	-	-	8.904.455
Funds	-	-	-	-	-	-
Miscellaneous Payables ^(***)	9.182.085	-	-	-	-	9.182.085
Other Liabilities ^(***)	2.667.019	-	-	-	-	2.667.019
Factoring Payables	-	-	-	-	-	-
Lease Payables	24.623	-	-	-	-	24.623
Derivative Financial Liabilities Held For Hedging ^(**)	606.765	-	-	-	-	606.765
Provisions	789.818	-	-	-	-	789.818
Tax Liability	149.662	-	-	-	-	149.662
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	4.816.098	-	-	-	-	4.816.098
Shareholder's Equity	14.572.049	-	-	-	-	14.572.049
TOTAL LIABILITIES	157.415.735	-	4.714.819	-	4.912.695	147.788.221

^(*)Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.

^(**)Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.

^(***)Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

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Prior Period	Carrying values of items in accordance with TAS					
	Financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with the Central Bank	15.882.272	15.882.272	-	-	-	-
Trading Financial Assets	2.526.747	-	2.496.481	-	1.939.492	-
Financial Assets at Fair Value Through Profit or Loss	10.579	10.579	-	-	-	-
Banks	1.292.765	1.292.765	-	-	-	-
Money Market Placements	115.504	115.504	-	-	-	-
Financial Assets Available-for-Sale (net)	8.349.710	8.349.710	4.368.350	-	-	-
Loans and Receivables	82.672.480	82.641.133	-	-	-	31.347
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (net)	7.168.664	7.168.664	3.248.559	-	-	-
Investment in Associates (net)	3.766	3.766	-	-	-	-
Investment in Subsidiaries (net)	742.967	742.967	-	-	-	-
Investment in Joint ventures (net)	154.769	154.769	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	2.923.877	-	2.923.877	-	-	-
Property And Equipment (Net)	1.937.734	1.867.926	-	-	-	69.808
Intangible Assets (Net)	329.097	-	-	-	-	329.097
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	-	-	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	1.746.239	1.746.239	-	-	-	-
TOTAL ASSETS	125.857.170	119.976.294	13.037.267	-	1.939.492	430.252
Liabilities						
Deposits	67.641.495	-	-	-	-	67.641.495
Derivative Financial Liabilities Held for Trading	2.070.770	-	-	-	1.795.246	275.524
Funds Borrowed	16.273.767	-	-	-	-	16.273.767
Money Markets	6.489.821	-	6.489.821	-	-	-
Marketable Securities Issued	7.913.570	-	-	-	-	7.913.570
Funds	-	-	-	-	-	-
Miscellaneous Payables	5.895.120	-	-	-	-	5.895.120
Other Liabilities	851.674	-	-	-	-	851.674
Factoring Payables	-	-	-	-	-	-
Lease Payables	6.699	-	-	-	-	6.699
Derivative Financial Liabilities Held For Hedging	529.323	-	-	-	-	529.323
Provisions	2.060.459	-	-	-	-	2.060.459
Tax Liability	458.233	-	-	-	-	458.233
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	3.510.837	-	-	-	-	3.510.837
Shareholder's Equity	12.155.402	-	-	-	-	12.155.402
TOTAL LIABILITIES	125.857.170	-	6.489.821	-	1.795.246	117.572.103

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3.2. B2-The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements:

	Current period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	171.206.970	147.081.938	-	19.026.575	5.098.457
2	Liabilities carrying value amount under regulatory scope of consolidation	9.627.514	-	-	4.714.819	4.912.695
3	Total net amount under regulatory scope of consolidation	161.579.456	147.081.938	-	14.311.756	185.762
4	Off-Balance Sheet Amounts	91.214.862	18.485.121	-	-	-
5	Differences due to different netting rules	1.592.476	-	-	-	1.592.476
6	Repo transactions	69.905	-	-	69.905	-
7	Potential credit risk amount calculated for the counterparty	-	-	-	1.494.161	-
8	Differences due to credit risk reduction	(12.241.314)	(2.085.090)	-	(10.156.224)	-
	Risk Amounts	-	163.481.969	-	5.719.598	1.778.238

	Prior period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	134.953.053	119.976.294	-	13.037.267	1.939.492
2	Liabilities carrying value amount under regulatory scope of consolidation	8.285.067	-	-	6.489.821	1.795.246
3	Total net amount under regulatory scope of consolidation	126.667.986	119.976.294	-	6.547.446	144.246
4	Off-Balance Sheet Amounts	72.922.668	13.670.452	-	-	-
5	Differences due to different netting rules	1.571.192	-	-	-	1.571.192
6	Repo transactions	259.481	-	-	259.481	-
7	Decrease in counterparty credit risk as a result of netting	-	-	-	-	-
8	Potential credit risk amount calculated for the counterparty	-	-	-	1.273.502	-
9	Differences due to credit risk reduction	(6.187.527)	(1.628.550)	-	(4.558.977)	-
	Risk Amounts	-	132.018.196	-	3.521.452	1.715.438

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

a) None.

b) There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for “Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)”. There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.

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

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

Market risk is the likelihood of loss of financial assets and positions in the bank's trading accounts in general terms as a result of changing the current market values.

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

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

QNB Finansbank calculates its value at market risk with standard method in the framework of "Regulation on Measurement and Evaluation of Bank's Capital Adequacy". Accordingly, capital requirement is reached through multiplying of total of general market risk, commodity risk, settlement risk, exchange risk option risk to 12,5.

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

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

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

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

Definition of independent price approval processes:

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

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

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

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

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

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

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4. Credit Risk Disclosures

4.1 General Information on Credit Risk

4.1.1. CRA – General Qualitative Information on Credit Risk

a) Conversion of Group’s business model to components of credit risk profile

The Bank deploys forward looking, risk sensitive measurement systems and tools, including appropriate information technology (IT) applications and management information systems (MIS), to account for expected and unexpected losses in both normal and stress market conditions, for all types of risks as appropriate.

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

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

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

Risk Management Strategy comes out as the main risk management policy document in which the Bank defines its risks, determines the risk appetite and the risk management principles. Credit risk limits are reviewed annually, consistent to risk strategy.

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

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

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

Main responsibilities of Credit Risk Management Department are as follows:

- To establish risk management policies and strategies related to risks exposed by the Group and to submit those policies and strategies for the approval of Board of Directors Risk Committee.
- To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at group level to senior management.
- To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Bank.
- To make periodic stress tests and scenario analysis and establish early warning systems.
- To support decision-making processes of the Bank through providing reviews and risk point of view with respect to risk management.

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- To develop application and behavior score cards which are used in order to manage credit portfolio and processes in a correct and effective manner and forming main source for DR models.
- To promote risk awareness and management culture at group level.
- To develop of forecasting models/approaches and the measurement monitoring of portfolio credit risk through Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD).
- Implementation of risk based Credit Classification and Expected Credit Loss (ECL) calculations under TFRS 9, determination of credit risk measurement framework, development and implementation of relevant models / approaches.

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

Risk governance model includes three lines of defense consisting of:

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

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

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

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

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk. Report mainly consists of the following; changes in risk parameters, changes in exposures of segments, concentration and risk metrics, stress testing and results, delinquency amounts and ratios by segments, stage 3, stage 2, rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings.

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

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4.2 CR1 – Credit quality of assets:

Current Period	Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans	6.155.252	95.294.876	4.746.136	96.703.992
2 Debt Securities	-	21.258.077	-	21.258.077
3 Off-balance sheet Exposures	-	60.332.135	50.116	60.282.019
4 Total	6.155.252	176.885.088	4.796.252	178.244.088

Prior Period	Gross carrying values of as per TAS		Allowances/ impairments	Net values (a+b-c)
	Defaulted exposures	Non-defaulted exposures		
1 Loans	4.330.104	81.882.776	3.529.821	82.683.059
2 Debt Securities	-	15.442.571	-	15.442.571
3 Off-balance sheet exposures	-	50.077.135	45.014	50.032.121
4 Total	4.330.104	147.402.482	3.574.835	148.157.751

4.3. CR2 – Changes in stock of defaulted loans and debt securities:

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	4.330.104	3.840.927
2 Loans and debt securities that have defaulted since the last reporting period	3.355.909	2.151.271
3 Returned to non-defaulted status	-	-
4 Amounts written off(*)	110.214	752.070
5 Other changes(**)	1.420.547	910.024
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	6.155.252	4.330.104

(*)There is not the sale of legal follow-up loans receivable amounting to in the current period. (December 31, 2017- TL 745.739)

(**) Includes collections from credits in default.

4.4 CRB – Additional disclosures related to credit quality of assets:

a) The criteria taken into consideration by the Bank in determining the impairment are explained in footnote VIII of the third section. Receivables having more than 90 days overdue are defined as “Past due receivables”. There is no difference between “past due receivables” and “loans subject to provisioning” since all loans with 90 days overdue are subject to specific provisioning.

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

c) The Bank's specific provision calculation is explained in footnote VIII of the third section. When specific provisions are determined, the minimum specific provision rates are used and the collaterals are not deducted from the risk bases in accordance with the “Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside”.

d) In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments then receivables in aforementioned scope are identified as “restructured receivables”.

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e) Exposures provisioned according to major regions, major sectors and remaining maturity

Exposures provisioned against by major regions:

Country	Current Period	Prior Period
Turkey	94.768.174	81.441.381
European Union (EU) Countries	426.822	288.469
USA,Canada	22.376	9.352
OECD Countries	3	42
Off-Shore Banking Regions	19.973	30.608
Other Countries	57.528	112.924
Total	95.294.876	81.882.776

Exposures provisioned against by major sectors:

	Current Period	Prior Period
1. Agricultural	2.538.528	2.559.872
1.1. Farming and raising livestock	2.337.406	2.416.952
1.2. Forestry	5.629	6.145
1.3. Fishing	195.493	136.775
2. Manufacturing	16.371.069	13.660.869
2.1. Mining and Quarrying	283.274	274.415
2.2. Production	12.360.435	10.589.748
2.3. Electricity, Gas, Water	3.727.360	2.796.706
3. Construction	5.853.595	7.486.808
4. Services	38.883.649	30.175.468
4.1 Wholesale and retail trade	14.396.553	14.308.792
4.2 Hotel, food and beverage services	3.434.383	2.634.086
4.3 Transportation and telecommunication	9.215.542	5.162.942
4.4 Financial institutions	6.935.904	4.295.605
4.5 Real estate and leasing services	350.168	350.288
4.6 Self-employment services	1.535.336	1.285.693
4.7 Education services	375.746	358.867
4.8 Health and social services	2.640.017	1.779.195
5. Other	31.648.035	27.999.759
6. Total	95.294.876	81.882.776

Breakdown of Exposures according to remaining maturity:

Current period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables ^(*)	-	18.415.746	8.420.975	24.482.569	29.598.378	11.691.238	92.608.906

Prior period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables	-	15.569.639	5.942.700	23.253.334	28.518.244	8.598.859	81.882.776

(*) Provision amounts have been deducted from current period balances.

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

Loan Amounts provisioned on the basis of by geographical regiaoons Loans written off during the assets

Current Period	Loans Subject to Provision	Provision	Written-off from Assets
Turkey	6.124.876	4.729.071	110.214
European Union (EU) Countries	16.192	2.882	-
USA,Canada	-	-	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	14.164	14.164	-
Other Countries	20	19	-
Total	6.155.252	4.746.136	110.214

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

Prior Period	Loans Subject to Provision	Provision	Written-off from Assets
Turkey	4.309.523	3.509.245	752.070
European Union (EU) Countries	19.887	19.882	-
USA,Canada	-	-	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	692	692	-
Other Countries	2	2	-
Total	4.330.104	3.529.821	752.070

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

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

	December 31, 2017			December 31, 2016		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	219.393	123.276	4	113.483	71.727	13.427
1.1. Farming and Raising Livestock	216.049	120.708	4	111.805	70.444	12.924
1.2. Forestry	621	364	-	249	103	41
1.3. Fishing	2.723	2.204	-	1.429	1.180	462
2. Industrial	941.265	686.919	18	585.236	479.638	114.994
2.1. Mining and Quarrying	7.452	5.567	-	6.482	5.664	1.852
2.2. Production	932.428	680.182	18	578.452	473.673	111.937
2.3. Electricity, Gas, Water	1.385	1.170	-	302	301	1.205
3. Construction	455.499	273.786	6	274.562	218.450	66.954
4. Services	2.002.453	1.467.989	106.284	1.338.988	1.010.306	198.291
4.1. Wholesale and Retail Trade	1.497.816	1.106.253	154	1.024.853	775.398	183.318
4.2. Hotel, Food and Beverage Services	188.419	129.239	8	131.158	94.201	4.075
4.3. Transportation and Communication	120.086	82.683	106.122	65.326	47.973	6.106
4.4. Financial Institutions	23.425	18.193	-	18.750	14.939	503
4.5. Real Estate and Renting Services	20.207	14.434	-	14.732	7.348	100
4.6. Self-Employment Services	75.831	55.216	-	40.161	31.450	3.284
4.7. Educational Services	34.643	28.576	-	20.643	18.788	53
4.8. Health and Social Services	42.026	33.395	-	23.365	20.209	852
5. Other	2.536.642	2.194.166	3.902	2.017.835	1.749.700	358.404
6. Total	6.155.252	4.746.136	110.214	4.330.104	3.529.821	752.070

g) Aging Analysis

Overdue Days	Current Period	Prior Period
0-30	92.725.903	80.103.182
31-60	1.633.574	1.015.201
61-90	935.399	764.393
90+	6.155.252	4.330.104
Total	101.450.128	86.212.880

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

Current Period	Standard Loans	Loans under close monitoring	Non- performing loan
Loans subject to provision	-	-	91.417
Non- reserved Loans (*)	1.127.050	4.297.570	-
Total	1.127.050	4.297.570	91.417

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

Prior Period	Standard Loans	Loans under close monitoring	Non- performing loan
Loans subject to provision	-	-	60.081
Non- reserved Loans (*)	1.919.035	1.727.638	-
Total	1.919.035	1.727.638	60.081

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

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5. Credit Risk Mitigation

5.1 CRC - Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

Insurance policies of the collaterals should be obtained.

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

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

5.2 CR3 Credit risk mitigation techniques – overview:

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivative s	Collateralized amount of exposures secured by credit derivatives
Current Period							
1 Loans	93.352.575	3.351.417	1.772.578	-	-	-	-
2 Debt securities	21.258.077	-	-	-	-	-	-
3 TOTAL	114.610.652	3.351.417	1.772.578	-	-	-	-
4 Of which defaulted	1.381.892	27.224	2.279	-	-	-	-

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Prior Period							
1 Loans	80.044.102	2.638.957	1.377.231	-	-	-	-
2 Debt securities	15.442.571	-	-	-	-	-	-
3 TOTAL	95.486.673	2.638.957	1.377.231	-	-	-	-
4 Of which defaulted	790.927	9.356	245	-	-	-	-

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6. Credit risk when standard approach is used

6.1. CRD – Qualitative disclosures which shall be made related to grading marks used by the Banks while calculating credit risk with standard approach:

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

6.2. CR4 – Standard Approach– Credit risk exposure and credit risk mitigation (CRM) effects

Current Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Exposure Categories		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	37.526.392	-	44.547.053	-	7.760.540	17%
2	Exposures to regional governments or local authorities	83.573	65	83.573	-	41.787	50%
3	Exposures to public sector entities	204.463	45.137	141.578	19.883	161.461	100%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to institutions	4.462.398	1.929.416	4.394.944	1.413.199	3.133.645	54%
7	Exposures to corporates	39.694.142	27.337.106	37.122.419	13.663.624	50.786.043	100%
8	Retail exposures	49.183.082	61.060.073	43.094.187	2.962.917	34.542.825	75%
9	Exposures secured by residential property	3.529.987	385.720	3.529.986	10.468	1.239.159	35%
10	Exposures secured by commercial real estate	2.453.558	171.553	2.453.558	101.996	1.277.777	50%
11	Past-due loans	1.308.493	-	1.306.314	-	940.071	72%
12	Higher-risk categories by the Agency Board	119.258	6.044	119.158	520	179.517	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	0%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
16	Other assets	7.099.718	279.748	7.099.718	-	5.368.500	76%
17	Investments in equities	1.416.874	-	1.416.874	-	1.416.874	100%
18	Total	147.081.938	91.214.862	145.309.362	18.172.607	106.848.199	65%

Prior Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Exposure Categories		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	29.318.853	-	38.133.718	-	5.592.205	%15
2	Exposures to regional governments or local authorities	5.284	211	5.284	29	2.657	%50
3	Exposures to public sector entities	17.953	134.296	17.504	55.345	72.849	%100
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	3.692.421	1.009.129	3.774.877	510.418	2.867.710	%67
7	Exposures to corporates	29.130.897	21.262.475	26.225.556	9.933.996	36.159.551	%100
8	Retail exposures	42.834.542	49.750.216	35.594.103	2.767.632	28.771.302	%75
9	Exposures secured by residential property	5.867.529	533.143	5.867.529	35.324	2.065.998	%35
10	Exposures secured by commercial real estate	2.932.083	229.006	2.932.082	116.160	1.524.122	%50
11	Past-due loans	800.278	-	800.033	-	626.867	%78
12	Higher-risk categories by the Agency Board	1.185	4.192	1.184	230	2.122	%150
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	4.397.965	-	4.269.888	-	4.157.607	%97
17	Investments in equities	977.304	-	977.304	-	77.537	%8
18	Total	119.976.294	72.922.668	118.599.062	13.419.134	81.920.527	%62

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6.3. CR5 – Standard approach – exposures by asset classes and risk

Current Period											Total Credit Risk Exposure Amount ^(*)
	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	
1	Exposures to central governments or central banks	36.786.513	-	-	-	-	-	7.760.540	-	-	44.547.053
2	Exposures to regional governments or local authorities	-	-	-	-	83.573	-	-	-	-	83.573
3	Exposures to public sector entities	-	-	-	-	-	-	161.461	-	-	161.461
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1.443.636	-	3.039.179	-	1.325.328	-	-	5.808.143
7	Exposures to corporates	-	-	-	-	-	-	50.786.043	-	-	50.786.043
8	Retail exposures	-	-	-	-	-	46.057.104	-	-	-	46.057.104
9	Exposures secured by residential property	-	-	-	3.540.454	-	-	-	-	-	3.540.454
10	Exposures secured by commercial real estate	-	-	-	-	2.555.554	-	-	-	-	2.555.554
11	Past-due loans	-	-	-	-	732.487	-	573.827	-	-	1.306.314
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	119.678	-	119.678
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	1.416.874	-	-	1.416.874
17	Other Assetd	1.731.217	-	2	-	-	-	5.368.499	-	-	7.099.718
18	Total	38.517.730	-	1.443.638	3.540.454	6.410.793	46.057.104	67.392.572	119.678	-	163.481.969

Prior Period											Total Credit Risk Exposure Amount ^(*)
	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	
1	Exposures to central governments or central banks	32.541.513	-	-	-	-	-	5.592.205	-	-	38.133.718
2	Exposures to regional governments or local authorities	-	-	-	-	5.313	-	-	-	-	5.313
3	Exposures to public sector entities	-	-	-	-	-	-	72.849	-	-	72.849
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1.140.245	-	1.010.780	-	2.134.270	-	-	4.285.295
7	Exposures to corporates	-	-	-	-	-	-	36.159.552	-	-	36.159.552
8	Retail exposures	-	-	-	-	-	38.361.735	-	-	-	38.361.735
9	Exposures secured by residential property	-	-	-	5.902.853	-	-	-	-	-	5.902.853
10	Exposures secured by commercial real estate	-	-	-	-	3.048.242	-	-	-	-	3.048.242
11	Past-due loans	-	-	-	-	346.330	-	453.703	-	-	800.033
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	1.414	-	1.414
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	977.304	-	-	977.304
17	Other Assetd	1.012.043	-	5	-	-	-	3.257.840	-	-	4.269.888
18	Total	33.553.556	-	1.140.250	5.902.853	4.410.665	38.361.735	48.647.723	1.414	-	132.018.196

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7. Disclosures regarding counterparty credit risk

7.1 Qualitative disclosures regarding DCCR – CCR table:

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

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

CCR is managed within the framework of the Counterparty Credit Policy approved by the Board of Directors. In this policy, the scope of the CCR, the risk calculation method, and the distribution of responsibility distribution were determined. The general lines determined in the CCR policy are detailed with the Derivative Products Application Instructions.

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

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

- b) A clear definition of risk appetite and its approval by Board of Directors is the precondition to establish a consistent risk limit system. The Bank has determined the following limit structure in order to limit the risk carried over derivative transactions. Those limits are determined in Market Risk Policy and approved by Board of Directors.
- Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, gama and vega positions is limited.
 - Option nominal position limit: Maximum nominal position which can be taken on option type basis is limited.
 - Interest sensitivity limit of forward exchanges included in trading accounts: Interest risk which can be carried by swap and forward exchanges made for the purposes of trading.

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

- c) CCR is tried to be reduced with various techniques. The Bank uses daily exchange limits in addition to credit support and global repo agreements in order to reduce exchange risk. Limits, defined for financial institutions, are allocated according to creditability of counterparty and monitored as real time and online. Parties, having over the counter transactions with the Bank, are financial institutions which are well known and having a long term of business relationship.
- d) Countertrend risk states that probability of default of counterparty has a positive correlation with general market risk factors. Main Partner Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed.
- e) If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

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7.2 CCR1 – Assessment of Counterparty Credit Risk according to the models of measurement

Current Period		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	8.063.385	1.494.161	-	1,4	3.974.460	2.247.225
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	1.745.138	622.861
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	2.870.086

Prior Period		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	3.519.845	1.273.502	-	1,4	2.134.883	1.137.301
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	1.386.569	421.828
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	Total	-	-	-	-	-	1.559.129

7.3 CCR2 – Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
		Current Period	Prior Period	Current Period	Prior Period
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (3*multiplier included)	-	-	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3	Total portfolio value with simplified approach CVA capital adequacy	3.974.460	2.134.883	817.428	320.146
4	Total amount of CVA capital adequacy	3.974.460	2.134.883	817.428	320.146

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7.4. CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights

Current Period										Total Credit Risk
Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others		
1 Exposures from central governments or central banks	6.925	-	-	-	-	-	-	-	-	6.925
2 Exposures from regional or local governments	-	-	-	-	-	-	-	-	-	-
3 Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	2	-	-	-	2
4 Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Exposures from international organizations	-	-	-	-	-	-	-	-	-	-
6 Exposures from banks and brokerage houses	-	-	1.022.767	4.044.028	-	16.475	-	-	-	5.083.270
7 Exposures from corporates	-	-	-	-	-	618.067	-	-	-	618.067
8 Retail receivables	-	-	-	-	10.703	-	-	-	-	10.703
9 Mortgage receivables	-	-	-	-	-	-	-	-	-	-
10 Non performing receivables	-	-	-	-	-	-	-	-	-	-
11 High risk defined receivables	-	-	-	-	-	-	631	-	-	631
12 Mortgage backed securities	-	-	-	-	-	-	-	-	-	-
13 Securitization Positions	-	-	-	-	-	-	-	-	-	-
14 Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-	-
15 Collective investment undertaking investments	-	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-	-
17 Other Receivables	-	-	-	-	-	-	-	-	-	-
18 Other Assets	-	-	-	-	-	-	-	-	-	-
19 Total	6.925	-	1.022.767	4.044.028	10.703	634.544	631	-	-	5.719.598

Prior Period										Total Credit Risk
Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others		
1 Exposures from central governments or central banks	53.577	-	-	-	-	-	-	-	-	53.577
2 Exposures from regional or local governments	-	-	-	-	-	-	-	-	-	-
3 Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	1	-	-	-	1
4 Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Exposures from international organizations	-	-	-	-	-	-	-	-	-	-
6 Exposures from banks and brokerage houses	-	-	1.034.453	2.160.217	-	127	-	-	-	3.194.797
7 Exposures from corporates	-	-	-	-	-	267.407	-	-	-	267.407
8 Retail receivables	-	-	-	-	5.213	-	-	-	-	5.213
9 Mortgage receivables	-	-	-	-	-	-	-	-	-	-
10 Non performing receivables	-	-	-	-	-	-	-	-	-	-
11 High risk defined receivables	-	-	-	-	-	-	457	-	-	457
12 Mortgage backed securities	-	-	-	-	-	-	-	-	-	-
13 Securitization Positions	-	-	-	-	-	-	-	-	-	-
14 Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-	-
15 Collective investment undertaking investments	-	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-	-
17 Other Receivables	-	-	-	-	-	-	-	-	-	-
18 Other Assets	-	-	-	-	-	-	-	-	-	-
19 Total	53.577	-	1.034.453	2.160.217	5.213	267.535	457	-	-	3.521.452

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

Related table is not presented due to standard method is used for calculation of capital adequacy (December 31, 2017 – None).

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7.6 CCR5 – Composition of collateral for CCR exposure:

Current Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Local Currency	-	-	-	-	92.273	-
Cash - Foreign Currency	-	6.140.938	-	2.124.008	4.622.546	-
Government bond-domestic	-	-	-	-	100.070	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	6.140.938	-	2.124.008	4.814.889	-

Prior Peiod	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Local Currency	-	-	-	-	1.808.565	-
Cash - Foreign Currency	-	2.917.839	-	378.497	4.656.982	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	2.917.839	-	378.497	6.465.547	-

7.7 CCR6 – Credit derivatives exposures

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

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

Related table is not presented due to usage of standard approach for the calculation of capital adequacy by the Bank (December 31, 2017-None)

I) CCR8 – Exposures to central counterparties

Related table is not presented due to the Bank has no risk against to counterparty (December 31, 2017-None)

8. Securitization exposures:

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

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9. Disclosures regarding Consolidated Market Risk

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

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

The Bank has established a structure to effectively define, monitor and manage the risk sourcing from changes in market prices including interest rates, stocks, bond prices, exchange rates and uncertainty of aforementioned prices in their volatility levels. The aforementioned structure is determined in Market Risk Policy of the Bank which is approved by the Board of Directors. This policy determines principles, measurement methods, processes and limits covering all transactions of the Bank sourcing from market risk.

Market risk is calculated and reported on a monthly basis with standard method for capital adequacy calculation in line with regulation on Measurement and Evaluation of Bank's Capital Adequacy published by BRSA.

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

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

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

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

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

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9.2. PR1 –Market risk under standardized approach:

		RWA^(**)	
		Current Period (Thousand TL)	Current Period (Thousand TL)
	Outright products ^(*)	1.751.713	1.692.538
1	Interest rate risk (general and specific)	1.457.750	1.421.063
2	Equity risk (general and specific)	14.150	-
3	Foreign exchange risk	279.350	270.438
4	Commodity risk	463	1.037
	Options	26.525	22.900
5	Simplified approach	-	-
6	Delta-plus method	26.525	22.900
7	Scenario approach	-	-
8	Securitization	-	-
9	Total	1.778.238	1.715.438

^(*) Outright Product refer to positioning products that are not optional

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

10. Explanations Related to the Operational Risk

The Bank calculates the amount subject to operational risk based on “Basic Indicator Method” by using 2017,2016 2015 and 2018, year-end gross income balances of the Bank, in accordance with Section 3 of the “Regulation Regarding Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, published in the Official Gazette No. 28337 dated June 28, 2012, namely “The Calculation of the Amount Subject to Operational Risk. As of December 31, 2018, the total amount subject to operational risk is TL 10.000.978 TL’dir (December 31, 2017 - TL 8.810.269).

Current Period	2 PP	1 PP	CP	Total / No. of Years of	Rate (%)	Total
Basic Indicator Method	Amount	Amount	Amount	Positive Gross		
Gross Income	4.610.359	5.233.051	6.158.155	5.333.855	15	800.078
Value at operational risk						10.000.978
(Total*12,5)						
Prior Year	2 PP	1 PP	CP	Total / No. of Years of	Rate (%)	Total
Basic Indicator Method	Amount	Amount	Amount	Positive Gross		
Gross Income	4.315.893	4.547.487	5.233.050	4.698.810	15	704.822
Value at operational risk						8.810.269
(Total*12,5)						

The annual gross income is composed of net interest income and net non-interest income after deducting realized gains/losses from the disposal of Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI), extraordinary income and income derived from insurance claims at year-end.

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III. Explanations on Foreign Currency Exchange Rate Risk

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

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

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

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

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

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

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

US Dollar purchase rate at the date of the balance sheet	5,2609 TL
Euro purchase rate at the date of the balance sheet	6,0280 TL

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
December 31, 2018	5,2609	6,0280
December 28, 2018	5,2889	6,0245
December 27, 2018	5,2832	6,0185
December 26, 2018	5,3034	6,0419
December 25, 2018	5,2926	6,0291

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

The arithmetical average of the Bank's US Dollar and Euro purchase rates for December 2018 are TL 5,3061 and TL 6,0387 respectively.

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

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽¹⁾	8.698.390	5.933.093	2.057.242	16.688.725
Due From Banks	264.428	725.428	41.676	1.031.532
Financial Assets at Fair Value through Profit/Loss ⁽²⁾	289.601	247.746	132	537.479
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	513.387	3.385.031	-	3.898.418
Loans and Receivables ⁽³⁾	17.890.294	13.197.240	177.455	31.264.989
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	175.108	4.840.580	-	5.015.688
Derivative Financial Assets Hedging Purposes	2.049	142.207	-	144.256
Tangible Assets	-	-	61	61
Intangible Assets	-	-	-	-
Other Assets ⁽⁴⁾	1.152.474	1.035.839	559	2.188.872
Total Assets	28.985.731	29.507.164	2.277.125	60.770.020
Liabilities				
Bank Deposits	1.105.303	2.361.406	84.892	3.551.601
Foreign Currency Deposits ⁽⁵⁾	9.877.384	26.287.374	2.585.729	38.750.487
Money Market Borrowings	312.287	4.310.259	-	4.622.546
Funds Provided from Other Financial Institutions	6.146.505	14.846.158	1.851.299	22.843.962
Securities Issues	331.861	6.308.417	57.398	6.697.676
Sundry Creditors	5.600.679	608.092	3.156	6.211.927
Derivative Fin. Liabilities for Hedging Purposes	64.544	227.492	-	292.036
Other Liabilities ⁽⁶⁾	374.256	493.294	3.248	870.798
Total Liabilities	23.812.819	55.442.492	4.585.722	83.841.033
Net Balance Sheet Position	5.172.912	(25.935.328)	(2.308.597)	(23.071.013)
Net Off-Balance Sheet Position	(5.220.847)	25.331.458	2.307.317	22.417.928
Financial Derivative Assets	16.634.448	70.688.044	2.403.103	89.725.595
Financial Derivative Liabilities	21.855.295	45.356.586	95.786	67.307.667
Non-Cash Loans ⁽⁷⁾	7.367.223	7.133.391	443.815	14.944.429
Prior Period				
Total Assets	17.450.988	25.532.684	1.970.217	44.953.889
Total Liabilities	16.130.845	45.893.929	4.079.488	66.104.262
Net Balance Sheet Position	1.320.143	(20.361.245)	(2.109.271)	(21.150.373)
Net Off-Balance Sheet Position	(1.357.497)	18.626.089	2.111.085	19.379.677
Financial Derivative Assets	9.121.509	57.707.230	2.286.793	69.115.532
Financial Derivative Liabilities	10.479.006	39.081.141	175.708	49.735.855
Non-Cash Loans ⁽⁷⁾	4.724.545	5.457.980	293.108	10.475.633

(1) Cash and Balances with TR Central Bank; Other FC include TL 1.799.886 (December 31, 2017 – TL 2.020.547) precious metal deposit account.

(2) Does not include TL 57.113 (December 31, 2017 – TL 53.594) of currency income accruals arising from derivative transactions.

(3) Includes 2.162.619 TL (December 31, 2017 – TL 3.382.889) FC indexed loans.

(4) Does not include FC prepaid expenses amounting to TL 11.258 (December 31, 2017 – TL 9.192) as per BRSA's Communiqué published in Official Gazette no 26085 on 19 February 2006.

(5) Other foreign currency includes TL 1.862.513 (December 31, 2017 – TL 1.198.394) of precious metal deposit account.

(6) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 75.265 (December 31, 2017 – TL 22.830)

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

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6. Sensitivity to Foreign Exchange Risk

The Bank is mainly exposed to EUR and USD currencies.

The following table details the Bank's sensitivity to a 10% increase and decrease in USD and EUR. Other variables are assumed to be unchanged.

Change in Currency rate in %		Net Effect on Profit or Loss (After Tax)	Net Effect on Equity (*)	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity (*)
		Current Period	Current Period	Prior Period	Prior Period
US Dollar	10% increase	(16.338)	(49.726)	(8.628)	(22.976)
	10% decrease	16.338	49.726	8.628	22.976
EURO	10% increase	(3.739)	(7.034)	(3.224)	(2.988)
	10% decrease	3.739	7.034	3.224	2.988

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

IV. Explanations on Interest Rate Risk

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

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held every month by taking the market developments into consideration. The management of the Bank follows the interest rates in the market on a daily basis and revises interest rates of the Bank when necessary.

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

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

(Based on repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing ⁽¹⁾	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	6.948.671	-	-	-	-	11.525.630	18.474.301
Due from Banks	231.261	-	77	-	-	1.000.306	1.231.644
Financial Assets at Fair Value Through Profit/Loss (**)	-	374	1.109	11.814	7.703	9.638.945	9.659.945
Money Market Placements	100.065	-	2.000	-	-	-	102.065
Inv. Securities Available for Sale	293.702	537.796	3.121.016	1.944.080	2.689.994	2.671.512	11.258.100
Loans and Receivables	28.263.491	10.330.220	25.370.432	22.332.338	3.418.528	4.303.013	94.018.022
Inv. Securities Held to Maturity	1.302.442	1.696.535	3.692.648	1.684.718	3.543.329	975.444	12.895.116
Other Assets	-	-	-	-	-	9.776.542	9.776.542
Total Assets	37.139.632	12.564.925	32.187.282	25.972.950	9.659.554	39.891.392	157.415.735
Liabilities							
Bank Deposits	2.399.562	660.153	53.659	-	-	564.208	3.677.582
Other Deposits	45.406.323	15.952.389	6.055.592	150.735	164	15.847.668	83.412.871
Money Market Borrowings	1.700.050	1.712.362	1.199.840	41.625	37.132	23.810	4.714.819
Sundry Creditors	6.211.927	-	-	-	-	2.970.158	9.182.085
Securities Issued	1.220.426	1.317.894	2.680.000	3.639.506	-	46.629	8.904.455
Funds Borrowed	2.957.988	5.983.726	11.544.584	376.377	2.117.695	1.977	22.982.347
Other Liabilities (***)	1.222	2.539	11.242	21.444	-	24.505.129	24.541.576
Total Liabilities	59.897.498	25.629.063	21.544.917	4.229.687	2.154.991	43.959.579	157.415.735
On Balance Sheet Long Position	-	-	10.642.365	21.743.263	7.504.563	-	39.890.191
On Balance Sheet Short Position	(22.757.866)	(13.064.138)	-	-	-	(4.068.187)	(39.890.191)
Off-Balance Sheet Long Position	5.263.926	21.607.361	1.915.396	-	-	-	28.786.683
Off-Balance Sheet Short Position	-	-	-	(15.205.275)	(7.277.663)	-	(22.482.938)
Total Position	(17.493.940)	8.543.223	12.557.761	6.537.988	226.900	(4.068.187)	6.303.745

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

⁽²⁾ Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 37.141 expected loss provisions.

⁽³⁾ Banks include balance of expected loss provisions amounting to TL 441.

⁽⁴⁾ Financial Assets at Fair Value Through Profit/Loss include TL 12.445.540 derivative financial assets used for hedging purposes.

⁽⁵⁾ Receivables from Money Markets include the balance of expected loss provisions of TL 5.

⁽⁶⁾ Financial Assets at Fair Value Through Other Comprehensive Income include 2.814.045 derivative financial assets used for hedging purposes.

⁽⁷⁾ Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 37.077.

⁽⁸⁾ Other Liabilities include derivative Financial Assets Measured at Fair Value through Other Comprehensive Income used for hedging purposes amounting to TL 236.048.

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing ^(*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	9.075.895	-	-	-	-	6.806.377	15.882.272
Due from Banks	928.073	4.089	8.189	-	-	352.414	1.292.765
Financial Assets at Fair Value Through Profit/Loss ^(**)	9.992	626	976	8.731	14.339	5.426.539	5.461.203
Money Market Placements	115.504	-	-	-	-	-	115.504
Inv. Securities Available for Sale	1.072.555	966.372	2.722.928	1.032.698	2.418.309	136.848	8.349.710
Loans and Receivables	17.466.348	8.698.036	26.678.383	24.286.895	3.415.427	2.127.391	82.672.480
Inv. Securities Held to Maturity	191.969	1.387.592	2.088.237	999.729	2.286.334	214.803	7.168.664
Other Assets	-	-	-	-	-	4.914.572	4.914.572
Total Assets	28.860.336	11.056.715	31.498.713	26.328.053	8.134.409	19.978.944	125.857.170
Liabilities							
Bank Deposits	1.855.973	205.422	149.449	-	-	134.035	2.344.879
Other Deposits	40.686.752	8.610.210	2.957.289	24.121	-	13.018.244	65.296.616
Money Market Borrowings	3.682.542	1.699.207	1.059.717	-	30.148	18.207	6.489.821
Sundry Creditors	3.257.730	-	-	-	-	2.637.390	5.895.120
Securities Issued	1.841.696	1.178.147	114.544	4.741.620	-	37.563	7.913.570
Funds Borrowed	2.975.493	3.935.505	11.072.122	81.298	1.591.730	128.456	19.784.604
Other Liabilities ^(***)	261	535	2.345	4.239	-	18.125.180	18.132.560
Total Liabilities	54.300.447	15.629.026	15.355.466	4.851.278	1.621.878	34.099.075	125.857.170
On Balance Sheet Long Position	-	-	16.143.247	21.476.775	6.512.531	-	44.132.553
On Balance Sheet Short Position	(25.440.111)	(4.572.311)	-	-	-	(14.120.131)	(44.132.553)
Off-Balance Sheet Long Position	6.266.978	15.722.425	554.484	-	-	-	22.543.887
Off-Balance Sheet Short Position	-	-	-	(16.166.423)	(3.063.760)	-	(19.230.183)
Total Position	(19.173.133)	11.150.114	16.697.731	5.310.352	3.448.771	(14.120.131)	3.313.704

- (1) Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(2) Financial Assets at Fair Value through Profit/Loss include TL 2.923.877 derivative financial assets used for hedging purposes.
(3) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 529.323

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Average interest rates applied to monetary financial instruments

Current Period	EURO	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	2,00	-	13,00
Due from Banks	-	1,36	-	23,69
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	2,05	6,64	-	18,90
Money Market Placements	-	-	-	25,52
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	3,52	5,00	-	20,91
Loans and Receivables	4,81	7,26	2,39	21,01
Financial Assets Measured at Amortized Cost	4,84	5,27	-	25,80
Liabilities				
Bank Deposits	1,26	3,81	-	22,40
Other Deposits	1,64	4,17	0,83	22,34
Money Market Borrowings	0,24	2,43	-	16,27
Sundry Creditors	0,36	2,27	-	-
Securities Issued	1,43	5,62	-	27,62
Funds Borrowed	2,31	5,11	-	12,45
Prior Period	EURO	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	1,25	-	4,00
Due from Banks	-	1,68	-	12,76
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	2,11	5,04	-	11,90
Money Market Placements	-	-	-	14,29
Investment Securities Available for Sale	3,47	4,83	-	12,46
Loans and Receivables	4,35	5,89	2,67	15,70
Investment Securities Held to Maturity	2,96	5,22	-	13,93
Liabilities				
Bank Deposits	1,06	1,89	-	12,42
Other Deposits	1,60	3,49	0,37	13,06
Money Market Borrowings	0,21	1,86	-	12,56
Sundry Creditors	0,34	1,27	-	-
Securities Issued	-	5,57	-	14,66
Funds Borrowed	1,75	3,87	-	7,67

Interest rate risk on banking book

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

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

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

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

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Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) included in banking book are daily monitored by being added to the scope of market risk. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal, interest rate and VAR limits. The interest rate risk on banking book is measured legally as per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method” published in the Official Gazette No: 28034 dated August 23, 2011, and the legal limit as per this measurement is monitored and reported monthly to the Assets and Liability Committee, the Risk Committee and the Board of Directors.

Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity- Losses/Equity
1. TL	(+) 500	(989.277)	%(5,24)
	(-) 400	908.962	%(4,82)
2. EUR	(+) 200	(128.399)	%(0,68)
	(-) 200	152.344	%(0,81)
3. USD	(+) 200	230.331	%(1,22)
	(-) 200	(244.086)	%(1,19)
Total (of negative shocks)		817.220	%(4,33)
Total (of positive shocks)		(887.345)	%(4,70)

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

Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Market Value
1. Investment in Shares- grade A	-	-	-
Quoted Securities	-	-	-
2. Investment in Shares- grade B	777.308	-	777.308
Quoted Securities	777.308	-	777.308
3. Investment in Shares- grade C	-	-	-
Quoted Securities	-	-	-
4. Investment in Shares- grade Other (*)	521.395	474.566	-

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

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
		Total	Amount under Supplementary Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1. Private Equity Investments	-	748.729	748.729	-	-	-
2. Quoted Shares	-	-	-	-	-	-
3. Other Shares	-	-	-	-	-	-
4. Total	-	748.729	748.729	-	-	-

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

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

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

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

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

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

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

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

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

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Liquidity Coverage Ratio

Current Period – December 31, 2018	Unweighted Amounts^(*)		Weighted Amounts^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			29.060.194	17.511.509
1. High Quality Liquid Assets	29.060.194	17.511.509	29.060.194	17.511.509
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	61.130.935	28.303.005	5.526.181	2.830.301
3. Stable deposits	11.738.259	-	586.913	-
4. Less stable deposits	49.392.676	28.303.005	4.939.268	2.830.301
5. Unsecured Funding other than Retail and Small Business Customers Deposits	27.588.944	17.541.902	17.378.712	11.523.524
6. Operational deposits	600.474	63.920	150.118	15.980
7. Non-Operational Deposits	18.965.246	13.228.604	10.667.926	7.269.484
8. Other Unsecured Funding	8.023.224	4.249.378	6.560.668	4.238.060
9. Secured funding	-	-	204.084	204.084
10. Other Cash Outflows	17.141.287	10.241.597	17.141.287	10.241.597
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	17.141.287	10.241.597	17.141.287	10.241.597
12. Debts related to the structured financial products	-	-	-	-
13. Commitment related to debts to financial markets	-	-	-	-
14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	27.953.636	1.440.807	1.397.682	72.040
15. Other irrevocable or conditionally revocable commitments	61.870.927	16.103.045	4.550.867	1.400.233
16. TOTAL CASH OUTFLOWS			46.198.813	26.271.779
CASH INFLOWS				
17. Secured Lending Transactions	26.171	-	-	-
18. Unsecured Lending Transactions	7.615.321	1.540.189	4.618.141	1.372.589
19. Other contractual cash inflows	16.845.646	14.006.156	16.845.646	14.006.156
20. TOTAL CASH INFLOWS	24.487.138	15.546.345	21.463.787	15.378.745
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			29.060.194	17.511.509
22. TOTAL NET CASH OUTFLOWS			24.735.026	10.893.034
23. LIQUIDITY COVERAGE RATIO (%)			117,49%	160,76%

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

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Prior Period - December 31, 2017		Unweighted Amounts^(*)		Weighted Amounts^(*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				21.822.818	12.880.447
1	High Quality Liquid Assets	26.707.639	17.765.267	21.822.818	12.880.447
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	46.441.180	18.328.818	4.090.994	1.832.882
3	Stable deposits	11.062.492	-	553.125	-
4	Less stable deposits	35.378.688	18.328.818	3.537.869	1.832.882
5	Unsecured Funding other than Retail and Small Business Customers Deposits	22.016.583	12.728.405	14.228.256	8.666.168
6	Operational deposits	498.012	22.166	124.503	5.542
7	Non-Operational Deposits	15.991.530	9.426.328	9.192.173	5.380.715
8	Other Unsecured Funding	5.527.041	3.279.911	4.911.580	3.279.911
9	Secured funding	-	-	678.271	678.271
10	Other Cash Outflows	20.239.510	13.414.099	20.239.510	13.414.099
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	20.239.510	13.414.099	20.239.510	13.414.099
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	17.337.048	-	866.852	-
15	Other irrevocable or conditionally revocable commitments	50.202.304	10.558.137	3.614.450	856.939
16	TOTAL CASH OUTFLOWS			43.718.333	25.448.359
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	6.248.786	1.131.328	3.606.657	867.148
19	Other contractual cash inflows	18.866.042	13.774.999	18.866.042	13.774.999
20	TOTAL CASH INFLOWS	25.114.828	14.906.327	22.472.699	14.642.147
				Capped Amounts	
21	TOTAL HIGH QUALITY LIQUID ASSETS			21.822.818	12.880.447
22	TOTAL NET CASH OUTFLOWS			21.245.634	10.806.212
23	LIQUIDITY COVERAGE RATIO (%)			102,72%	119,19%

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

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The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of 2018 are explained in the table below. According to “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette numbered 28948, dated March 21, 2014.

	Maximum	Week	Minimum	Week	Average
TL+FC	142,87	12.10.2018	100,79	30.11.2018	118,1
FC	254,93	12.10.2018	127,22	14.12.2018	168,3

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

All of Bank’s high quality liquid assets are comprised of first quality liquid assets, most of which are CBT accounts and securities that are issued by the Turkish Treasury that have not been collateralized. Optional use of reserve levels and fluctuations in repo amount lead up to periodical variations in liquidity coverage ratio. Additionally syndication loans and large amount funds such as foreign bond issuances that have less than 1 month to maturity, lead up to short term fall in liquidity coverage ratios.

Funding sources of the Bank mainly consist of deposits which constitute 55% of total liabilities of the bank (December 31, 2017 – 54%) and also include repo, syndication, securitization, securities issued and other instruments including subordinated debts.

The Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and 1-month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

Secured funding consists repo securized borrowing transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables above.

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Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 Years	5 Years and Over	Unallocated (1)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank (2)	7.691.790	10.819.652	-	-	-	-	(37.141)	18.474.301
Due from Banks (3)	1.000.573	231.435	-	77	-	-	(441)	1.231.644
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) (4)	7.320	589.268	1.283.981	2.635.677	4.772.327	371.372		9.659.945
Money Markets Placements (5)	-	100.070	-	2.000	-	-	(5)	102.065
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) (6)	118.171	-	598.951	1.466.099	5.450.193	3.624.686	-	11.258.100
Loans and Receivables	-	18.415.746	8.420.975	24.482.569	29.598.378	11.691.238	1.409.116	94.018.022
Financial Assets Measured at Amortized Cost (7)	-	-	301.812	509.935	5.729.451	6.390.995	(37.077)	12.895.116
Other Assets	-	3.818.481	-	-	879.983	-	5.078.078	9.776.542
Total Assets	8.817.854	33.974.652	10.605.719	29.096.357	46.430.332	22.078.291	6.412.530	157.415.735
Liabilities								
Bank Deposits	555.542	2.405.999	661.864	54.177	-	-	-	3.677.582
Other Deposits	15.126.537	45.775.487	16.141.731	6.216.318	152.633	165	-	83.412.871
Funds Borrowed	-	2.602.313	1.721.218	7.109.504	5.573.686	5.975.626	-	22.982.347
Money Market Borrowings	-	1.712.058	858.893	403.237	834.281	906.350	-	4.714.819
Securities Issued	-	1.220.747	1.317.894	2.704.292	3.661.522	-	-	8.904.455
Sundry Creditors	-	2.834.669	813.908	1.888.740	3.644.768	-	-	9.182.085
Other Liabilities (8)	-	3.570.646	951.207	1.504.374	2.557.997	445.823	15.511.529	24.541.576
Total Liabilities	15.682.079	60.121.919	22.466.715	19.880.642	16.424.887	7.327.964	15.511.529	157.415.735
Liquidity Excess / Gap	(6.864.225)	(26.147.267)	(11.860.996)	9.215.715	30.005.445	14.750.327	(9.098.999)	-
Net Off Balance Sheet								
Position (9)	-	(451.657)	916.705	2.068.254	2.418.444	31.040	-	4.982.786
Receivables from Financial	-	18.806.542	13.979.878	22.307.730	37.623.265	18.740.181	-	111.457.596
Derivative Instruments	-	19.258.199	13.063.173	20.239.476	35.204.821	18.709.141	-	106.474.810
Liabilities from Derivatives	-	1.246.671	2.179.701	8.419.216	2.914.717	412.843	8.516.098	23.689.246
Non-cash Loans (10)	-	1.246.671	2.179.701	8.419.216	2.914.717	412.843	8.516.098	23.689.246
Prior Period								
Total Assets	5.141.036	29.997.249	6.744.695	25.242.575	38.040.325	16.722.674	3.968.616	125.857.170
Total Liabilities	12.735.826	54.538.130	13.980.962	13.203.588	12.903.800	4.225.937	14.268.927	125.857.170
Liquidity Gap	(7.594.790)	(24.540.881)	(7.236.267)	12.038.987	25.136.525	12.496.737	(10.300.311)	-
Net-Off Balance Sheet								
Position (9)	-	157.178	385.083	695.747	1.451.851	21.733	-	2.711.592
Receivables from Derivative	-	16.531.491	15.524.060	23.034.807	35.951.080	7.066.467	-	98.107.905
Instruments	-	16.374.313	15.138.977	22.339.060	34.499.229	7.044.734	-	95.396.313
Liabilities from Derivative	-	1.100.786	2.055.672	7.089.728	2.717.879	404.698	5.946.286	19.315.049
Instruments	-	1.100.786	2.055.672	7.089.728	2.717.879	404.698	5.946.286	19.315.049
Non-cash Loans (10)	-	1.100.786	2.055.672	7.089.728	2.717.879	404.698	5.946.286	19.315.049

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column. Unallocated other liabilities include shareholders' equity amounting to TL 14.572.049 and unallocated provisions amounting to TL 789.818

(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank includes expected loss provisions the amount of TL 37.141.

(3) Banks include balance of expected loss provisions amounting to TL 441.

(4) Financial Assets at Fair Value Through Profit/Loss include TL 12.445.450 derivative financial assets used for hedging purposes.

(5) Receivables from Money Markets include the balance of expected loss provisions of TL 5.

(6) Financial Assets at Fair Value Through Other Comprehensive Income include 2.814.045 derivative financial assets used for hedging purposes.

(7) Financial assets measured at amortized cost include TL 37.077 of expected loss provisions.

(8) Other Liabilities include derivative Financial Assets Measured at Fair Value through Other Comprehensive Income used for hedging purposes amounting to TL 236.048.

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

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

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Analysis of financial liabilities by remaining contractual maturities

The table below shows the Bank's maturity distribution of certain financial liabilities other than derivatives. The tables below are prepared by considering the future cash flows expected on the earliest cash flow dates. The total interest that will be paid for these liabilities is included in the table below.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	555.542	2.408.606	665.320	56.127	-	-	3.685.595	3.677.582
Other Deposits	15.126.537	45.998.380	16.481.335	6.839.246	179.722	243	84.625.463	83.412.871
Payables to Money Market	-	2.144.645	1.030.945	576.291	893.988	1.112.929	5.758.798	4.714.819
Funds from other Financial Institutions	-	2.658.993	1.775.852	7.702.160	7.095.015	7.349.602	26.581.622	22.982.347
Securities Issued	-	1.230.245	1.370.335	2.943.462	4.093.294	-	9.637.336	8.904.455
Noncash Loans ^(*)	8.516.098	1.246.671	2.179.701	8.419.216	2.914.717	412.843	23.689.246	23.689.246

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	129.280	1.860.557	206.425	152.348	-	-	2.348.610	2.344.879
Other Deposits	12.606.546	41.037.061	8.789.139	3.209.164	27.296	72	65.669.278	65.296.616
Payables to Money Market	-	3.702.812	1.210.377	548.543	405.281	797.801	6.664.814	6.489.821
Funds from other Financial Institutions	-	1.711.357	1.855.451	8.375.571	6.244.919	3.568.431	21.755.729	19.784.604
Securities Issued	-	1.784.762	1.161.598	489.525	5.381.095	-	8.816.980	7.913.570
Noncash Loans ^(*)	5.946.286	1.100.786	2.055.672	7.089.728	2.717.879	404.698	19.315.049	19.315.049

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

The table below shows the remaining maturities of derivative financial assets and liabilities:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy ^(**)	2.400.028	902.506	602.351	727.311	-	4.632.196
Forward Contracts Sell ^(**)	(2.359.326)	(903.603)	(589.513)	(819.265)	-	(4.671.707)
Swap Contracts Buy ^(*)	14.466.035	10.755.485	20.821.697	36.895.954	18.740.181	101.679.352
Swap Contracts Sell ^(*)	(14.755.574)	(9.827.367)	(18.805.913)	(33.675.335)	(18.709.141)	(95.773.330)
Futures Buy	-	-	118.507	-	-	118.507
Futures Sell	-	-	(118.507)	-	-	(118.507)
Options Buy	3.043.102	2.321.887	765.175	-	-	6.130.164
Options Sell	(3.245.783)	(2.226.985)	(725.544)	-	-	(6.198.312)
Other	-	105.218	-	710.222	-	815.440
Total	(451.518)	1.127.141	2.068.253	3.838.887	31.040	6.613.803

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy ^(**)	3.414.932	1.322.808	1.232.445	750.734	-	6.720.919
Forward Contracts Sell ^(**)	(3.432.274)	(1.347.699)	(1.250.000)	(788.451)	-	(6.818.424)
Swap Contracts Buy ^(*)	12.469.981	13.367.291	20.802.988	35.200.346	7.066.467	88.907.073
Swap Contracts Sell ^(*)	(12.265.894)	(12.958.447)	(19.788.181)	(33.386.894)	(7.044.734)	(85.444.150)
Futures Buy	-	24.500	80.713	-	-	105.213
Futures Sell	-	(24.005)	(80.713)	-	-	(104.718)
Options Buy	2.083.102	809.460	918.661	-	-	3.811.223
Options Sell	(2.116.124)	(808.827)	(915.333)	-	-	(3.840.284)
Other	-	-	304.832	323.884	-	628.716
Total	153.723	385.081	1.305.412	2.099.619	21.733	3.965.568

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

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

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VII. Information Regarding Leverage Ratio

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

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

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

	Book Value	
	Current Period ^(*)	Prior Period ^(*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit (Assets deducted from capital stock)	145.032.426	119.310.922
Total risk amount related to Assets on Balance sheet	144.618.297	118.962.531
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	14.012.279	6.085.823
Potential credit risk amount of derivative financial instruments and credit derivatives	1.399.021	1.277.368
Total risk amount related to derivative financial instruments and credit derivatives	15.411.300	7.363.191
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral kıymet veya emtia teminatlı finansman işlemlerinin risk tutarı	-	-
Risk amount sourcing from transactions mediated	-	-
Total risk amount related to financial transactions having security or commodity collateral	-	-
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	92.988.000	73.964.631
(Adjustment amount sourcing from multiplying to credit conversion rates)	26.202.861	16.486.236
Total risk amount related to off-balance sheet transactions	66.785.139	57.478.395
Capital and Total Risk		
Core Capital	14.112.759	11.429.491
Amount of total risk	226.814.736	183.804.117
Financial leverage ratio		
Financial leverage ratio	%6,22	%6,22

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

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

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

The fair value of financial assets measured at amortized cost are determined through market rates. If market rates cannot be spotted, market rates of securities with similar interest, maturity and other characteristics are used instead.

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

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

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

Current Period	Carrying Value	Fair Value
Financial Assets	116.728.425	112.696.010
Money Market Placements	102.070	102.065
Due from Banks	1.232.085	1.231.644
Fair Value through Other Comprehensive Income (FVOCI)	8.444.055	8.444.055
Financial Assets Measured at Amortized Cost	12.932.193	12.088.537
Loans Granted	94.018.022	90.829.709
Financial Liabilities	132.874.159	132.014.521
Bank Deposits	3.677.584	3.677.752
Other Deposits	83.412.869	83.433.674
Funds from Other Financial Institutions	22.982.347	22.310.043
Payables to Money Market	4.714.819	4.714.819
Securities Issued	8.904.455	8.696.148
Other Debts	9.182.085	9.182.085
Prior Period	Carrying Value	Fair Value
Financial Assets	99.599.123	98.426.744
Money Market Placements	115.504	115.504
Due from Banks	1.292.765	1.292.765
Loans and Receivables	82.672.480	81.509.558
Available for Sale Financial Assets	8.349.710	8.349.710
Securities Held to Maturity	7.168.664	7.159.207
Financial Liabilities	107.724.610	107.659.557
Bank Deposits	2.344.879	2.344.927
Other Deposits	65.296.616	65.317.421
Funds from Other Financial Institutions	19.784.604	19.660.627
Payables to Money Market	6.489.821	6.489.821
Securities Issued	7.913.570	7.951.641
Other Debts	5.895.120	5.895.120

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In accordance with “TFRS 13, Fair Value Measurement” accounts represented at fair value in the face of financial statements are required to be leveled according to the observability of the data used for the calculation of fair value.

The classification of fair value calculation is as follows:

- a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);
- b) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- c) Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

In the table below, the fair value classification of the financial instruments that are recorded at fair value at the financial statements is presented:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets	9.008.468	12.681.973	584.599	22.275.040
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) (*)	28.450	-	110.032	138.482
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) (**)	8.200.014	239.129	-	8.439.143
Subsidiaries	777.308	-	474.567	1.251.875
Derivative Financial Assets	2.696	12.442.844	-	12.445.540
Financial Liabilities	3.073	6.335.332	-	6.338.405
Derivative Financial Liabilities	3.073	6.335.332	-	6.338.405

(*)The details of the balance are amounting to TL 110.032 under Financial Assets at Fair Value Through Profit or Loss, which is disclosed in Note 6.b.2 of Section Five.

(**)The fair value difference does not include share balance amounting to TL 4,912 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	8.755.707	5.496.103	431.081	14.682.891
Financial Assets whose Fair Value is reflected on Gain/Loss	24.448	-	-	24.448
Derivative Financial Assets for Purchasing and Selling	989	2.501.310	-	2.502.299
Available for Sale Financial Assets	8.284.461	60.337	-	8.344.798
Loans and Receivables	-	10.579	-	10.579
Subsidiaries, Affiliates and Entities Under Common Control	445.809	-	431.081	876.890
Derivative Financial Assets Held for Cash Flow Hedges	-	2.923.877	-	2.923.877
Financial Liabilities	378	2.599.715	-	2.600.093
Derivative Financial Assets for Purchasing and Selling	378	2.070.392	-	2.070.770
Derivative Financial Liabilities Held for Cash Flow Hedges	-	529.323	-	529.323

(*)Presented in “Financial Assets at Fair Value Through Profit/Loss”.

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

	Current Period	Prior Period
Opening Balance	431.081	295.256
Change in total gain/loss	28.486	105.825
<i>Accounted in income statement</i>	-	-
<i>Accounted in other comprehensive income</i>	28.486	105.825
Purchases	125.032	30.000
Disposals	-	-
Matured Loans(*)	-	-
Sales from Level 3	-	-
Closing Balance	584.599	431.081

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IX. Explanations Related to Transactions Carried on Behalf of Others and Fiduciary Transactions

The Bank provides buying, selling and custody services and management and financial advisory services in the name of the third parties. The Bank does not involve in fiduciary activities.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	787.019	849.141	644.333	340.629
T.R. Central Bank	1.035.698	15.770.333	1.461.242	13.408.983
Other	-	69.251	25.365	1.720
Total	1.822.717	16.688.725	2.130.940	13.751.332

b) Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1.035.698	4.950.681	849.656	2.239.530
Restricted Time Deposits	-	10.819.652	611.586	11.169.453
Total	1.035.698	15.770.333	1.461.242	13.408.983

As of December 31,2018 amount of TL 37.141 provision provided for the account T.R. Central Bank with adoption of TFRS 9.

As of December 31, 2018, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 1,5% to 8% depending on the maturity of deposits (December 31, 2017 – 4% to 10,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 20% depending on the maturity of deposits and other liabilities (December 31, 2017 – 4% to 24%). In accordance with the “Communiqué Regarding the Reserve Requirements”, the reserve requirements can be maintained as TL, USD, EUR and standard gold.

2. Further information on financial assets at fair value through profit/loss

a) Trading securities given as collateral or blocked

As of December 31, 2018 amount of financial assets at fair value through profit/loss which has given as collateral or blocked is TL 695 (December 31, 2017 – TL 1.113).

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

None (December 31, 2017 – None).

c) Assets on trading derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	138.487	-	43.711	-
Swap Transactions	4.750.898	400.289	2.213.649	182.290
Futures Transactions	-	2.576	-	105
Options	120	188.916	884	61.660
Other	-	-	-	-
Total	4.889.505	591.781	2.258.244	244.055

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

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3. a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	200.550	755	12.873	844.509
Foreign	3	1.030.777	847	434.536
Foreign Head Offices and Branches	-	-	-	-
Total	200.553	1.031.532	13.720	1.279.045

As of December 31, 2018 amount of TL 441 provision provided for the Bank account with adoption of TFRS 9.

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount ^(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	225.873	68.192	37.842	17.419
USA and Canada	568.966	240.799	160.682	103.924
OECD Countries ^(*)	1.535	2.133	-	-
Off-shore Banking Regions	-	-	-	-
Other	35.882	2.916	-	-
Total	832.256	314.040	198.524	121.343

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

^(**) Includes blocked placements amounting to TL 198.524 at foreign banks (December 31, 2017 - TL 121.343) for the funds borrowed from foreign banks.

4. Information on receivables from reverse repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	100.070	-	-	-
T.R Central Bank	-	-	-	-
Banks	100.070	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	-	-	-	-
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	-	-	-	-
Total	100.070	-	-	-

As of December 31,2018 amount of TL 5 provision provided for the account Receivables from Money Markets with adoption of TFRS 9.

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

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

	Current Period	
	TL	FC
Given as Collateral/ Blocked	66.853	654.173
Subject to repurchase agreements	92.213	2.722.377
Total	159.066	3.376.550

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

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

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

	Current Period
Debt securities	8.742.018
Quoted on a stock exchange (*)	8.742.018
Unquoted on a stock exchange	-
Share certificates	118.277
Quoted on a stock exchange	-
Unquoted on a stock exchange (**)	118.277
Impairment provision(-)(***)	(416.240)
Total	8.444.055

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

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

(*) The Eurobond Portfolio amounting to TL 2.654.262 (December 31, 2017 - TL 4.072.503) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as financial assets measured at fair value through other comprehensive income in order to be in line with balance sheet presentation.

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

(***)As a result of adoption of TFRS 9, As of December 31, 2018 amount of TL 19.492 provision provided for financial assets measured at fair value through other comprehensive income account.

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6. Information related to loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	613	-
Corporate Shareholders	-	-	613	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees ^(*)	85.872	-	82.484	-
Total	85.872	-	83.097	-

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

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

b.1) Financial assets measured at amortized cost

Cash Loans ^(*)	Standard Loans	Loans under close monitoring		
		Loans Not Subject to restructuring	Restructured Loans	
			Loans with Revised Contract Terms	Refinance
Non-specialized Loans	85.267.483	5.619.791	346.076	3.951.494
Discount Notes	915.537	9.220	-	-
Export Loans	1.899.386	190.227	-	-
Import Loans	7.084	-	-	-
Loans Given to Financial Sector	1.049.195	402	-	-
Retail Loans	17.744.813	1.097.091	10.966	808.581
Credit Cards	12.662.694	808.356	-	606.521
Other	50.988.774	3.514.495	335.110	2.536.392
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	85.267.483	5.619.791	346.076	3.951.494

	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
Number of Extension		
1 or 2 times	1.108.737	4.093.160
3, 4 or 5 times	15.659	136.283
Over 5 times	2.654	68.127
Total	1.127.050	4.297.570

	Performing Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
Extension Periods		
0 - 6 months	550.244	2.771.678
6 - 12 months	35.573	296.668
1 - 2 years	294.613	702.325
2 - 5 years	192.064	500.111
5 years and over	54.556	26.788
Total	1.127.050	4.297.570

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b.2) Loans Measured at Fair Value Through Profit/Loss

In the current period, the Bank is monitoring 110.032 loan under fair value through profit and loss in accordance with TFRS 9. (December 31,2017 –None).

	Standard Loans	Loans and other receivables under close monitoring
Provision for 12 Month Expected Credit Losses	1.062.828	-
Significant Increase in Credit Risk	-	1.623.142

c) Loans measured at amortized cost and other receivables according to their maturity structure

Cash Loans	Standard Loans	Loans Under Close Monitoring	
		Loans Not Subject to restructuring	Loans with Restructured Loans
Short-term Loans	31.589.983	808.356	606.521
Medium and Long-term Loans	53.677.500	4.811.435	3.691.049
Total	85.267.483	5.619.791	4.297.570

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	1.038.660	16.679.302	17.717.962
Housing Loans	103.718	4.715.175	4.818.893
Automobile Loans	179	16.120	16.299
Personal Need Loans	934.763	11.948.007	12.882.770
Other	-	-	-
Consumer Loans-FC Indexed	3.863	1.329	5.192
Housing Loans	3.582	1.242	4.824
Automobile Loans	-	-	-
Personal Need Loans	281	87	368
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	10.722.575	401.040	11.123.615
Installment	3.858.489	401.040	4.259.529
Non- Installment	6.864.086	-	6864086
Individual Credit Cards-FC	4.632	-	4.632
Installment	-	-	-
Non- Installment	4.632	-	4.632
Personnel Loans-TL	6.086	41.449	47.535
Housing Loans	41	421	462
Automobile Loans	-	-	-
Personal Need Loans	6.045	41.028	47.073
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	36.852	-	36.852
Installment	13.713	-	13.713
Non-Installment	23.139	-	23.139
Personnel Credit Cards-FC	66	-	66
Installment	-	-	-
Non-Installment	66	-	66
Overdraft Accounts-TL (Real Persons)	1.890.762	-	1.890.762
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	13.703.496	17.123.120	30.826.616

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

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility – TL	1.262.769	14.301.153	15.563.922
Real Estate Loans	6.556	432.641	439.197
Automobile Loans	4.049	105.401	109.450
Personal Need Loans	1.252.164	13.763.111	15.015.275
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	459.469	670.264	1.129.733
Real Estate Loans	10.687	12.700	23.387
Automobile Loans	22.470	45.900	68.370
Personal Need Loans	426.312	611.664	1.037.976
Other	-	-	-
Commercial Loans with Installment Facility – FC	-	-	-
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards –TL	2.888.533	23.232	2.911.765
Installment	714.906	23.232	738.138
Non-Installment	2.173.627	-	2.173.627
Corporate Credit Cards –FC	641	-	641
Installment	-	-	-
Non-Installment	641	-	641
Overdraft Accounts-TL (Legal Entities)	1.381.193	-	1.381.193
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	5.992.605	14.994.649	20.987.254

f) Loans according to borrowers

	Current Period	Prior Period
Public	101.668	50.160
Private	95.193.208	81.832.616
Total	95.294.876	81.882.776

g) Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	94.768.174	81.461.750
Foreign Loans	526.702	421.026
Total	95.294.876	81.882.776

h) Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	550.705	331.694
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	550.705	331.694

i) Specific provisions for loans

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	738.748	113.483
Doubtful Loans and Other Receivables	608.313	346.348
Uncollectible Loans and Receivables	3.399.075	3.069.990
Total	4.746.136	3.529.821

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
Gross Amounts Before the Provisions	-	-	-
Restructured Loans	4.765	28.339	58.313
Prior Period			
Gross Amounts Before the Provisions	-	2.481	57.600
Restructured Loans	-	2.481	57.600

j.2) Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period End Balance	567.418	692.696	3.069.990
Additions (+)	3.001.954	212.036	141.919
Transfers from Other Categories of Non-Performing Loans (+)	-	1.841.765	1.448.875
Transfers to Other Categories of Non-Performing Loans (-)	1.841.765	1.448.875	-
Collections (-)	409.923	369.207	641.417
Write-offs (-) (*)			
Debt Sales	-	-	110.214
Corporate and Commercial Loans	-	-	106.122
Consumer Loans	-	-	2.176
Credit Cards	-	-	1.916
Others	-	-	-
Current Period End Balance	1.317.684	928.415	3.909.153
Provision (-)	738.748	608.313	3.399.075
Net Balances on Balance Sheet	578.936	320.102	510.078

(*) Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192.500.000.000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As a result of the transfer of this liability, the risk balance amounting to TL 106.122 has been left out of the balance sheet and all legal and administrative permissions have been taken and the restructured risk balance as of 31 December 2018 has been started to be followed as financial assets at fair value through profit or loss in accordance with TFRS 9.

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

None (December 31, 2017 - None).

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

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)^(*)	578.936	320.103	510.078
Loans to Real Persons and Legal Entities (Gross)	1.317.684	928.415	3.876.032
Provision (-)	738.748	608.313	3.365.954
Loans to Real Persons and Legal Entities (Net)	578.936	320.102	510.078
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	33.121
Provision (-)	-	-	33.121
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	453.935	346.348	-
Loans to Real Persons and Legal Entities (Gross)	567.418	692.696	3.042.786
Specific provision (-)	113.483	346.348	3.042.786
Loans to Real Persons and Legal Entities (Net)	453.935	346.348	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	27.204
Specific provision (-)	-	-	27.204
Other Loans and Receivables (Net)	-	-	-

^(*)Included interest accruals and valuation differences.

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)			
Interest Accruals and Valuation Differences	154.002	126.042	35.215
Provision (-)	94.342	77.214	21.573

k) Liquidation policies for uncollectible loans and other receivables

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

l) Write-off policy

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

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7. Information on Financial Assets Measured at Amortized Cost

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

	Current Period	
	TL	FC
Given as Collateral / Blocked	628.100	363.462
Subject to repurchase agreements	-	3.673.636
Total	628.100	4.037.098

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

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

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

	Current Period	
	TL	FC
Government Bond	7.916.505	3.995.358
Treasury Bill	-	-
Other Debt Securities	-	288.169
Total	7.916.505	4.283.527

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

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

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

	Current Period	
	TL	FC
Debt Securities	7.916.505	5.015.688
Publicly-traded	7.916.505	5.015.688
Non-publicly traded	-	-
Provision for losses (-)	-	-
Total	7.916.505	5.015.688

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

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

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

	Current Period
Value at the beginning of the period^(*)	8.946.170
Exchange differences on monetary assets	1.333.014
Acquisitions during the year	2.201.072
Disposals through sales and redemptions	(837.723)
Provision for losses (-)	-
Valuation effect	1.289.660
The sum of end of the period	12.932.193

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

As of December 31, 2018, a provision amounting to TL 37.077 is provided for the financial assets measured at amortized cost with TFRS 9 adoption.

d.2) Movements of investments held to maturity

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

8. Investments in associates (Net)

8.1. Investments in associates

a) Information on the unconsolidated subsidiaries

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

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
102.191	64.697	48.892	4.119	-	15.603	6.983	-

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

b) Information on the consolidated subsidiaries

None (December 31, 2017- None).

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8.2. Movements of investments in associates

	Current Period	Prior Period
Balance at the Beginning of Period	3.766	3.766
Movements During the Period	-	-
Purchases	-	-
Bonus Shares Received	2.216	-
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	5.982	3.766
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

8.3. Sectoral distribution of associates

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	5.982	3.766
Total	5.982	3.766

8.4. Quoted Associates

None (December 31, 2017 - None).

8.5. Valuation methods of investments in associates

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

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9. Investments in subsidiaries (Net)

a) Information on the unconsolidated subsidiaries

Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank' Risk Group Share (%)
1. Ibttech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	İstanbul/Turkey	99,91	99,99
2. EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. ^(*)	İstanbul/Turkey	100,00	100,00

	Total Assets	Shareholders ' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	39.438	16.056	23.054	-	-	(4.919)	1.437	-
2.	20.156	6.148	5.466	1.070	-	3.250	(1.602)	-

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

b) Information on the consolidated subsidiaries

b.1) Information on the consolidated subsidiaries

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

Information on subsidiaries in the order presented in the table above

	Total Assets	Shareholders ' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value ^(*)
1.	752.695	174.792	4.772	46.568	6.685	45.781	25.680	161.840
2.	5.914.404	805.777	5.995	497.060	-	82.447	93.966	777.308
3.	190.823	29.019	3.960	14.217	-	(20.773)	(4.367)	-
4.	11.234	9.768	303	1.885	-	(2.171)	(451)	-
5.	1.247.133	127.125	6.069	270.453	34	37.795	15.991	105.614
6.	219	200	-	-	-	-	-	-

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

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b.2) Movement of investments in subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	724.921	647.572
Movements during the period	378.281	77.349
Purchases ^(*)	15.000	30.000
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Increase	363.281	47.349
Impairment Provision	-	-
Balance at the End of the Period	1.103.202	724.921
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

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

b.3) Sectoral distribution of subsidiaries

	Current Period	Prior Period
Factoring Companies	105.614	93.350
Leasing Companies	777.308	445.809
Finance Companies	58.395	58.395
Other Subsidiaries	161.885	127.367
Total	1.103.202	724.921

b.4) Quoted subsidiaries within the context of consolidation

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	777.308	445.809
Quoted on International Stock Exchanges	-	-
Total	777.308	445.809

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

The Bank does not have any significant subsidiaries.

10. Investments in entities under common control

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

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1. ^(*)	1.372.589	184.645	16.850	-	-	103.384	61.759	148.673
2.	83.502	53.548	35.562	-	-	15.064	11.362	-

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

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11. Information on leasing receivables (Net)

None (December 31, 2017 - None).

12. Information on the hedging derivative financial assets

	Current Period^(***)	
	TL	FC
Fair Value Hedge ^(*)	4.117.133	33.076
Cash Flow Hedge ^(**)	2.702.865	111.180
Foreign Net Investment Hedges	-	-
Total	6.819.998	144.256

	Prior Period	
	TL	FC
Fair Value Hedge ^(*)	1.964.761	14.483
Cash Flow Hedge ^(**)	910.958	33.675
Foreign Net Investment Hedges	-	-
Total	2.875.719	48.158

^(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2018, TL 31.027 from securities issued (December 31, 2017 – TL 13.675), TL 2.049 (December 31, 2017 - TL 808) from borrowings , TL 4.117.133 (December 31, 2017 – TL 1.964.761) from the fair value of derivative financial instruments used in the fair value hedging of loans. There is no fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in securities issued (December 31, 2017-None)

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

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

13. Explanations regarding the investment properties

	Land and Buildings	Fixed Assets Under Finance Lease	Vehicles	Other Tangible Fixed Assets	Total
Prior Year End					
Cost	1.539.037	267.677	1.937	1.402.041	3.210.693
Accumulated Depreciation(-)	49.530	240.982	1.760	980.687	1.272.959
Net Book Value	1.489.507	26.695	177	421.354	1.937.734
Current Year End					
Cost at the Beginning of the Period	1.539.037	267.677	1.937	1.402.041	3.210.693
Additions ^(*)	877.330	20.583	545	162.400	1.060.858
Disposals (-)	-	-	197	15.615	15.812
Impairment (-) / (increase)	402	-	-	-	402
Current Period Cost	2.415.965	288.260	2.285	1.548.826	4.255.337
Accumulated Depreciation at the Beginning of the Period	49.530	240.982	1.760	980.687	1.272.959
Disposals (-)	-	-	197	14.953	15.150
Depreciation Amount	11.787	2.461	306	121.052	135.606
Current Period Accumulated Depreciation (-)	61.317	243.443	1.869	1.086.786	1.393.415
Net Book Value-end of the Period	2.354.648	44.817	416	462.040	2.861.922

^(*) As stated in footnote in 5th Section III.5.1.d, fair value exchange difference income amortized at an amount of TL 852.714 belonging to immovable property subjected to fair value hedge accounting by the Bank is shown on “Disposals” line in Property, Plant and Equipment movement statement.

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

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

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss reverse of TL 402 has been booked (December 31, 2017 - TL 288 impairment loss).

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

None (December 31, 2017- None).

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

None (December 31, 2017- None).

14. Explanations on intangible assets

	Rights	Goodwill	Total
Prior Period End			
Cost	986.482	-	986.482
Accumulated Amortization (-)	657.385	-	657.385
Net Book Value	329.097	-	329.097
Current Period End			
Cost at the Beginning of the Period	986.482	-	986.482
Additions	185.921	-	185.921
Disposals(-)	-	-	-
Impairment (-) / (increase)	-	-	-
Current Period Cost	1.172.403	-	1.172.403
Accumulated Amortization at the Beginning of the Period	657.385	-	657.385
Disposals(-)	-	-	-
Amortization Charge (-)	117.839	-	117.839
Current Period Accumulated Amortization (-)	775.224	-	775.224
Net Book Value-End of the Period	397.179	-	397.179

- a) **Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements:** None (December 31, 2017 - None).
- b) **Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:** None (December 31, 2017 –None)
- c) **The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition:** None (December 31, 2017- None).
- d) **The book value of intangible fixed assets that are pledged or restricted for use:** None (December 31, 2017- None).
- e) **Amount of purchase commitments for intangible fixed assets:** None (December 31, 2017 - None).
- f) **Information on revalued intangible assets according to their types:** None (December 31, 2017 – None).

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g) Amount of total research and development expenses recorded in income statement within the period if any:

Amount of total research expenses recorded in income statement within the period is TL 11.812 (December 31, 2017 – TL 7.559).

h) Positive or negative consolidation goodwill on entity basis:

None (December 31, 2017-None).

i) Information on goodwill:

None (December 31, 2017-None).

j) Movements on goodwill in the current period:

None (December 31, 2017- None).

15. Information on assets held for sale and discontinued operations

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

16. Information on Tax Asset

As of December 31, 2018, the Bank has TL 522.283 deferred tax asset calculated under the related regulations.

Deferred tax assets and liabilities are reflected to the financial statements by netting off according to TAS 12. As of December 31, 2018, the Bank has deferred tax assets amounting to TL 1.431.202 and deferred tax assets amounting to TL 908.919, which arise between the carrying amount of the assets and liabilities in the balance sheet and the tax bases determined in accordance with tax legislation and calculated over the amounts to be taken into account in the calculation of financial profit / the tax liability is netted and recorded in the records.

Deferred tax is offset against deferred tax assets or liabilities, if the differences between the carrying amount and the fair value of the related assets are related to the equity account group. The deferred tax asset amounting to TL 30.708 has been netted under equity (December 31, 2017 - TL 16.906 deferred tax asset).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Provision for Employee Rights	426.856	357.044	93.908	79.140
Difference Between the Book Value of Financial Assets and Tax Base	2.334.124	431.140	499.611	106.505
Other	3.807.650	694.212	837.683	152.136
Deferred Tax Assets			1.431.202	337.781
Difference Between the Book Value Financial Assets and Tax Base	(256.498)	(232.976)	(56.429)	(47.125)
Difference Between the Book Value of Financial Assets and Tax Base	(3.244.933)	(965.480)	(707.221)	(222.151)
Other	(660.313)	(572.883)	(145.269)	(121.569)
Deferred Tax Liabilities			(908.919)	(390.845)
Deferred Tax Assets/(Liabilities), Net			522.283	(53.064)

	Current Period 01.01-31.12.2018	Prior Period 01.01-31.12.2017
Deferred Tax as of January 1 Active/ (Passive) - Net ^(*)	421.384	33.517
Deferred Tax (Loss) / Gain	62.129	742
Deferred Tax that is Realized Under Shareholder's Equity ^(*)	38.770	(87.323)
31 December Deferred Tax Active/ (Passive) - Net	522.283	(53.064)

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17. Information on assets held for sale and discontinued operations

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

18. Information on other assets

18.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Collateral Given for Derivative Transactions	2.149.355	361.684
Assets Held for Resale (net)	879.983	512.975
Other Prepaid Expenses	576.894	474.821
Miscellaneous Receivables	296.685	262.498
Cheques Receivables from Other Banks	714.694	72.281
Prepaid rent expenses	44.788	34.406
Prepaid Agency Commissions	15.608	12.460
Advances Given	7.498	3.791
Other	12.958	11.323
Total	4.698.463	1.746.239

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

Details of the other assets are described above in the 18.1 section of explanations and disclosures related to assets.

19. Accrued interest and income

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

	Current Period	
	TL	FC
Derivative Financial Instruments	11.709.503	736.037
Loans	2.529.745	364.154
Financial Assets measured at amortized cost	942.576	69.946
Central Bank of Turkey	60.220	-
Banks	279	-
Financial Assets at Fair Value Through Profit or Loss	136	(7)
Financial Assets at Fair Value Through Other Comprehensive Income	101.449	(331.209)
Other Accruals	1.001	7.023
Total	15.344.909	845.944

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

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SECTION FIVE

II. Explanations And Disclosures Related To Liabilities

1. Information on maturity structure of deposits

Current Period

		7 Days	Up to 1	1-3	3-6	6-12	1 Year	Accumulated	
	Demand	Notice	Month	Months	Months	Months	and Over	Deposit	Total
								Accounts	
Saving Deposits	2.951.929	-	4.425.049	16.913.430	4.014.224	1.658.762	2.408.105	1.782	32.373.281
Foreign Currency	7.997.652	-	2.584.447	22.134.039	1.625.763	1.394.003	1.152.066	-	36.887.970
Residents in Turkey.	7.753.048	-	2.572.021	21.580.333	1.545.330	1.328.027	886.348	-	35.665.107
Residents Abroad	244.604	-	12.426	553.706	80.433	65.976	265.718	-	1.222.863
Public Sector Deposits	313.443	-	472	5.062	346	-	148	-	319.471
Commercial Deposits	2.088.318	-	2.802.222	4.459.722	1.177.734	218.963	480.505	-	11.227.464
Other Ins. Deposits	50.544	-	39.436	597.919	27.309	18.487	8.473	-	742.168
Precious Metal Deposits	1.724.651	-	-	43.459	1.525	10.188	82.694	-	1.862.517
Bank Deposits	555.542	-	272.551	2.007.939	802.759	37.747	1.044	-	3.677.582
T.R Central Bank.	-	-	-	-	-	-	-	-	-
Domestic Banks	21.312	-	194.669	-	-	6.187	-	-	222.168
Foreign Banks	45.049	-	77.882	2.007.939	802.759	31.560	1.044	-	2.966.233
Participation Banks	489.181	-	-	-	-	-	-	-	489.181
Other	-	-	-	-	-	-	-	-	-
Total	15.682.079	-	10.124.177	46.161.570	7.649.660	3.338.150	4.133.035	1.782	87.090.453

Prior Period

		7 Days	Up to 1	1-3	3-6	6-12	1 Year	Accumulated	
	Demand	Notice	Month	Months	Months	Months	and Over	Deposit	Total
								Accounts	
Saving Deposits	2.841.194	-	2.664.643	16.185.117	1.001.997	391.611	1.178.780	2.367	24.265.709
Foreign Currency	5.877.143	-	2.449.203	18.324.339	1.372.059	904.862	673.011	225	29.600.842
Residents in Turkey.	5.743.694	-	2.420.753	17.934.971	1.316.263	876.098	502.143	213	28.794.135
Residents Abroad	133.449	-	28.450	389.368	55.796	28.764	170.868	12	806.707
Public Sector Deposits	112.991	-	2.508	13.989	97	8	119	-	129.712
Commercial Deposits	2.606.915	-	2.562.486	2.936.396	379.681	323.156	789.212	-	9.597.846
Other Ins. Deposits	56.387	-	34.530	185.822	159.759	67.049	566	-	504.113
Precious Metal Deposits	1.111.916	-	-	17.196	354	-	68.928	-	1.198.394
Bank Deposits	129.280	-	673.759	1.256.275	136.335	69.007	80.223	-	2.344.879
T.R Central Bank.	-	-	609.785	-	-	-	-	-	609.785
Domestic Banks	29.205	-	2.008	15.895	4.089	-	-	-	51.197
Foreign Banks	52.199	-	61.966	1.240.380	132.246	69.007	80.223	-	1.636.021
Participation Banks	47.876	-	-	-	-	-	-	-	47.876
Other	-	-	-	-	-	-	-	-	-
Total	12.735.826	-	8.387.129	38.919.134	3.050.282	1.755.693	2.790.839	2.592	67.641.495

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1.1. Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	14.252.095	12.342.514	17.151.063	11.921.850
Foreign Currency Savings Deposits	5.146.914	3.857.126	21.042.426	14.315.461
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	19.399.009	16.199.640	38.193.489	26.237.311

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

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

	Current Period	Prior Period
Deposits and accounts in branches abroad	14.541	7.440
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close	71.157	15.440
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237	-	-
Saving deposits in banks established in Turkey exclusively for off-shore	-	-
Total	85.698	22.880

2. Information on trading purpose derivatives

a) Negative value of trading purpose derivatives

	Current Period (*)		Prior Period	
	TL	FC	TL	FC
Forwards	132.707	-	83.786	-
Swaps	5.162.227	292.532	1.787.817	176.523
Futures	-	2.596	-	103
Options	477	141.101	275	22.266
Other	-	-	-	-
Total	5.295.411	436.229	1.871.878	198.892

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

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3. Information on funds borrowed

a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Bank and Institutions	138.385	332.637	114.947	231.647
Foreign Bank, Institutions and Funds	-	17.695.227	-	15.927.173
Total	138.385	18.027.864	114.947	16.158.820

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	138.385	3.781.300	114.947	5.706.737
Medium and Long-Term	-	14.246.564	-	10.452.083
Total	138.385	18.027.864	114.947	16.158.820

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

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

As of December 31, 2018, the Bank's liabilities comprise; 55% deposits (December 31, 2017 – 54%), 12% funds borrowed (December 31, 2017 – 13%), 6% issued bonds (December 31, 2017 – 6%) and 3% Money Market Debts (December 31, 2017 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	90.924	-	1.801.841	-
Financial institutions and organizations	72.397	-	1.771.995	-
Other institutions and organizations	9.213	-	15.494	-
Real persons	9.314	-	14.352	-
From foreign transactions	1.349	4.622.546	6.724	4.631.256
Financial institutions and organizations	-	4.622.546	-	4.631.256
Other institutions and organizations	1.349	-	6.724	-
Real persons	-	-	-	-
Total	92.273	4.622.546	1.808.565	4.631.256

5. Information on securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.206.779	388.754	2.975.932	57.156
Bills	-	6.308.922	103.821	4.776.661
Total	2.206.779	6.697.676	3.079.753	4.833.817

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

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

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

- 7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts**

Interest rate and cash flow of the Bank are the main criteria which are taken into consideration determination of payment plans in the leasing contracts.

7.1. Changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (December 31, 2017- None).

7.2. Financial Lease Payables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	15.002	10.136	3.141	2.851
Between 1 - 4 years	21.443	14.487	4.239	3.848
More than 4 years	-	-	-	-
Total	36.445	24.623	7.380	6.699

7.3. Information on operational lease

Operational lease payments are recognized as an expense in the income statement on a straight-line basis over the lease terms. The Bank arranges operating lease arrangements for some of its ATM and branches. The lease contract is done on a yearly basis and the payment is made upfront each year and realized as an expense under the "Other Assets" account.

7.4. Information on "Sale -and- lease back" agreements

The Bank does not have any sale-and-lease back transactions in the current period (December 31, 2017 - None).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period ^(***)	
	TL	FC
Fair Value Hedge ^(*)	155.054	215.663
Cash Flow Hedge ^(**)	159.675	76.373
Net Investment Hedge	-	-
Total	314.729	292.036
	Prior Period	
	TL	FC
Fair Value Hedge ^(*)	16.615	197.837
Cash Flow Hedge ^(**)	280.204	34.667
Net Investment Hedge	-	-
Total	296.819	232.504

^(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2018, TL 181.259 from loans (December 31, 2017 – TL 41.598), TL 8.179 (December 31, 2017 - TL 4.056) from securities issued, TL 181.279 (December 31, 2017 - TL 168.798) from securities, represents the fair value of the derivative financial instruments used in the fair value hedging transaction.

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

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

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9. Information on provisions

9.1. Information on general provisions

	Current Period
Provisions for off-balance sheet commitments ^(*)	140.969
Total	140.969

^(*) As of December 31, 2018 provisions for non-cash loans in stage 3 represented at line 9.5 in liabilities and equity table with the adoption of TFRS 9.

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

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

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

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

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

The specific provision for non-cash loans which are related with the non-performing cash loans in arrears or the loans which were written off from balance sheet is TL 50.116 (December 31, 2017 – TL 45.014).

9.4. Information on employee termination benefits and unused vacation accrual

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

As of December 31, 2018, TL 173.924 (December 31, 2017 - TL 175.627) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2018, the Bank accrued TL 44.501 (December 31, 2017 – TL 42.089) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2018 TL 208.431 (December 31, 2017 - TL 139.328) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

9.4.1. Movement of employee termination benefits

	Current Period	Prior Period
	01.01-31.12.2018	01.01-31.12.2017
As of January 1	175.627	138.930
Service Cost	23.284	18.619
Interest Cost	20.054	15.367
Settlement / curtailment / termination loss	7.295	10.003
Actuarial Difference	(19.408)	32.067
Paid during the period	(32.928)	(39.359)
Total	173.924	175.627

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9.5. Information on other provisions

9.5.1. Information on provisions for possible risks

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

	Current Period	Prior Period
Other provisions made for close monitoring loans portfolio ^(*)	-	108.450
Provision for Promotion Expenses of Credit Cards	10.982	9.356
Other Provisions	211.011	144.327
Total	221.993	262.133

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

10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

As of December 31, 2018, the Bank has TL 149.662 current tax liability (December 31, 2017- TL 446.266). As of December 31, 2018, the Bank has no prepaid tax (31 December 2017- TL 41.097).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	149.662	405.169
Banking and Insurance Transaction Tax (BITT)	100.593	63.463
Taxation on Securities Income	70.842	56.775
Taxation on Real Estates Income	2.349	1.953
Other	25.882	23.139
Total	349.328	550.499

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

10.1.3. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	9.559	20.809
Social Security Premiums - Employer Share	10.358	18.187
Unemployment Insurance - Employee Share	672	1.205
Unemployment Insurance - Employer Share	1.344	2.408
Total	21.933	42.609

11. Information on payables related to assets held for sale

None (December 31, 2017 – None).

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12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
To be included in the calculation of additional capital	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	4.816.098	-	3.510.837
Subordinated loans	-	4.816.098	-	3.510.837
Subordinated debt instruments	-	-	-	-
Total	-	4.816.098	-	3.510.837

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

13. Information on shareholder's equity

13.1. Paid-in capital

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

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

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

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

None (December 31, 2017 – TL 200.000.000).

13.4. Information on share capital increases from revaluation funds

None (December 31, 2017 – None).

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

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

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

None (December 31, 2017 – None).

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

None (December 31, 2017 – None).

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14. Common stock issue premiums, shares and equity instruments

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

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

15. Securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under				
Common Control	748.729	-	388.744	-
Valuation Difference	748.729	-	388.744	-
Foreign Exchange Rate Difference	-	-	-	-
Securities Measured at Fair Value Through				
Other Comprehensive Income (FVOCI)	80.775	(534.108)	(53.163)	(176.412)
Valuation Difference	80.775	(534.108)	(53.163)	(176.412)
Foreign Exchange Rate Difference	-	-	-	-
Total	829.504	(534.108)	335.581	(176.412)

16. Accrued interest and expenses

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

	Current Period	
	TL	FC
Derivative Financial Liabilities	5.450.465	651.892
Deposits	643.659	86.485
Securities Issued	-	52.478
Funds Borrowed	2.042	171.001
Money Market Borrowings	173	23.636
Other Accruals	140.510	149.556
Total	6.236.849	1.135.048

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

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SECTION FIVE

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

1. Information related to off-balance sheet contingencies

a. Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	22.362.300	17.115.833
Commitment For Use Guaranteed Credit Allocation	10.852.185	9.774.575
Forward, Asset Purchase Commitments	2.205.109	2.876.502
Payment Commitments for Cheques	2.181.264	2.754.045
Other Irrevocable Commitments	1.188.454	1.056.395
Commitments for Promotions Related with Credit Cards and Banking	29.958	45.880
Tax and Fund Liabilities due to Export Commitments	28.728	15.358
Total	38.847.998	33.638.588

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

Specific provision is provided for the non-cash loans amounting to TL 50.116 (December 31, 2017 - TL 45.014) followed in the off-balance sheet accounts that are not indemnified and liquidated yet.

1.3 Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Bank Loans	4.476.254	3.012.892
Letters of Credit	1.727.806	1.783.291
Total	6.204.060	4.796.183

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

	Current Period	Prior Period
Provisional Letters of Guarantee	679.218	920.541
Final Letters of Guarantee	7.374.286	6.387.607
Advance Letters of Guarantee	1.422.077	822.037
Letters of Guarantee Given to Customs Offices	407.385	457.444
Other Letters of Guarantee	7.602.220	5.931.237
Total	17.485.186	14.518.866

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	3.913.293	2.315.378
Less Than or Equal to One Year with Original Maturity	1.305.237	681.540
More Than One Year with Original Maturity	2.608.056	1.633.838
Other Non-Cash Loans	19.775.953	16.999.671
Total	23.689.246	19.315.049

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

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	28.886	0,33	40.184	0,27	44.952	0,51	2.855	0,03
Farming and Raising Livestock	28.886	0,33	22.864	0,15	40.054	0,45	-	-
Forestry	-	-	-	-	2.375	0,03	-	-
Fishing	-	-	17.320	0,12	2.523	0,03	2.855	0,03
Manufacturing	2.318.397	26,51	7.534.257	50,42	1.261.085	14,27	4.430.301	42,29
Mining and Quarrying	14.211	0,16	25.627	0,17	48.598	0,55	36.769	0,35
Production	2.156.385	24,66	6.766.518	45,28	990.927	11,21	3.888.686	37,12
Electricity, gas and water	147.801	1,69	742.112	4,97	221.560	2,51	504.846	4,82
Construction	2.953.023	33,77	1.791.908	11,99	2.769.132	31,33	782.143	7,47
Services	2.718.719	31,09	5.483.620	36,69	4.095.605	46,33	2.555.222	24,39
Wholesale and Retail Trade	932.803	10,67	1.252.602	8,38	2.475.606	28,01	954.016	9,12
Hotel, Food and Beverage Services	109.159	1,25	687.370	4,60	75.523	0,85	85.148	0,81
Transportation&Communication	307.762	3,52	1.087.830	7,28	193.455	2,19	280.352	2,66
Financial Institutions	1.031.711	11,80	1.619.277	10,84	773.612	8,75	838.847	8,01
Real Estate and Renting Services	-	-	236	-	8.232	0,09	611	0,01
Self Employment Services	96.221	1,10	24.265	0,16	274.603	3,11	36.769	0,35
Educational Services	5.832	0,07	6.028	0,04	6.262	0,07	-	-
Health and Social Services	235.231	2,68	806.012	5,39	288.312	3,26	359.479	3,43
Other	725.792	8,30	94.460	0,63	668.642	7,56	2.705.112	25,82
Total	8.744.817	100,00	14.944.429	100,00	8.839.416	100,00	10.475.633	100,00

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

	I. Group		II. Group	
	TL	FC	TL	FC
Current Period (*)				
Letters of Guarantee	8.514.934	8.715.903	163.828	40.405
Bills of Exchange and Acceptances	15.820	4.455.338	-	5.096
Letters of Credit	119	1.723.573	-	4.114
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	8.530.873	14.894.814	163.828	49.615

(*) Does not include non-cash loans amounting to TL 50.116, for which special provision is provided, but which are not indemnified and not liquidated yet.

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

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

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5. Information on derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	110.799.329	121.908.563
Forward transactions ^(*)	9.303.903	13.539.343
Swap transactions	88.929.936	100.507.782
Futures transactions	237.014	209.931
Option transactions	12.328.476	7.651.507
Interest Related Derivative Transactions (II)	41.650.654	20.280.668
Forward rate transactions	-	-
Interest rate swap transactions	41.650.654	20.280.668
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	815.440	628.716
A.Total Trading Derivative Transactions (I+II+III)	153.265.423	142.817.947
Types of hedging transactions		
Fair value hedges	26.613.394	18.276.951
Cash flow hedges	40.258.698	35.285.822
Net investment hedges	-	-
B.Total Hedging Related Derivatives	66.872.092	53.562.773
Total Derivative Transactions (A+B)	220.137.515	196.380.720

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

As of December 31, 2018, breakdown of the Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

Current Period	Forward Buy^(**)	Forward Sell^(**)	Swap Buy^(*)	Swap Sell^(*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
TL	1.586.500	1.358.560	16.605.615	33.081.920	2.341.029	3.164.010	-	-	-
USD	1.319.717	2.532.488	68.229.044	41.827.300	2.748.095	2.370.999	118.507	118.507	815.440
EURO	1.690.980	733.850	14.489.926	20.839.757	1.009.924	575.077	-	-	-
Other	34.999	46.809	2.354.767	24.353	31.116	88.226	-	-	-
Total	4.632.196	4.671.707	101.679.352	95.773.330	6.130.164	6.198.312	118.507	118.507	815.440

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

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

Prior Period	Forward Buy^(**)	Forward Sell^(**)	Swap Buy^(*)	Swap Sell^(*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
TL	2.025.349	3.490.468	25.434.643	39.778.171	1.485.641	2.140.793	23.358	-	-
USD	2.911.735	2.807.392	54.053.535	35.652.459	1.864.077	1.476.317	81.855	104.718	628.716
EURO	1.687.149	484.620	7.254.375	9.890.538	398.344	193.758	-	-	-
Other	96.686	35.944	2.164.520	122.982	63.161	29.416	-	-	-
Total	6.720.919	6.818.424	88.907.073	85.444.150	3.811.223	3.840.284	105.213	104.718	628.716

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

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

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a. Fair value hedge accounting

a) Loans

The Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TL 6.055.337 (December 31, 2017 – TL 4.757.337) were subject to hedge accounting by swaps with a nominal of TL 6.922.598 (December 31, 2017 – TL 4.973.074). On December 31, 2018 the net market valuation difference loss amounting to TL 1.576 due to the loss from loans amounting to TL 173.326 (December 31, 2017 – TL 5.235 loss) and gain from swaps amounting to TL 171.750 (December 31, 2017 – TL 36.696 gain) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

As of balance sheet date project finance loans amounting to TL 223.858 (December 31, 2017 – TL 188.632) have been subject to hedge accounting with swaps with a nominal amount of TL 210.304 (December 31, 2017 – TL 179.136). In 2018 TL 823 net fair valuation difference gain, net of TL 1.980 (December 31, 2017 – TL 2.014 loss) gain from loans and TL 1.158 (December 31, 2017 – TL 818 gain) loss from swaps has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 51.313 (December 31, 2017 – TL 9.606) related to the loans that are ineffective for hedge accounting under “gains / (losses) from financial derivatives transactions” as gain during the current period.

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

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Bank using swaps as hedging instruments. As of the balance sheet date; Eurobonds with a nominal of USD 404,7 million and EUR 75,4 million (December 31, 2017 – USD 371,7 million and EUR 75.4 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2018, the net market valuation difference gain amounting to TL 12, due to loss from Eurobonds amounting to TL 6.814 (December 31, 2017 – TL 4.794 gain) and gain from swaps amounting to TL 6.826 (December 31, 2017 – TL 5.739 loss) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

The Bank does not apply fair value hedge on TL government bonds in the current period. (As of December 31, 2017 - none)

c) Bonds issued

The Bank applies fair value hedge accounting to hedge against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 283 million (December 31, 2017 – USD 283 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2018, TL 179 net fair valuation difference loss, net of TL 1.142 (December 31, 2017 – TL 6.669 gain) gain from issued bonds and TL 1.321 (December 30, 2017 – TL 6.402 loss) loss from swaps, has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.

d) Borrowings

The Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2017: EUR 30 million) is subjected to hedge accounting with a swap having the same amount. A net mark to market difference loss at an amount of TL 11 (December 31, 2017: TL 13 gain) sourcing from Credit at an amount of TL 1.239 (December 31, 2017: TL 521 gain) loss and TL 1.128 (December 31, 2017 – TL 508 loss) gain from swaps is recognized under “Gains/losses from Derivative Financial Transactions”.

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5.2 Cash flow hedge accounting

a) Deposit

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity until 3 month, the Bank implements cash flow hedge accounting with interest rate swaps. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 2.150.000 are subject to hedge accounting as hedging instruments (December 31, 2017 – TL 5.210.000). As a result of the mentioned hedge accounting, fair value gains before taxes amounting to TL 37.446 are accounted for under equity during the current period (December 31, 2017 – TL 106.616 gain). The gain amounting to TL 795 (December 31, 2017 – TL 676 gain) relating to the ineffective portion is accounted for at the income statement.

As of the balance sheet date, swaps with a nominal amount of USD 2.519 million (December 31, 2017 – USD 2.753 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 289 million (December 31, 2017 –EUR 319 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value gain before taxes amounting to TL 181.006 are accounted for under equity during the current period (December 31, 2017 – TL 121.387 gain). The income amounting to TL 1.302 (December 31, 2017 – TL 248 gain) relating to the ineffective portion is accounted for at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness. In the current period there is loss TL 4.969 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (December 31, 2017 – TL 1.327 loss).

b) Subordinated Loans

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to USD 810 million are subject to hedge accounting as hedging instruments (December 31, 2017 – USD 260 million). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL 6.909 are accounted for under equity during the current period (December 31, 2017 – TL 11.673 gain). Regarding the ineffective portion amounting to TL 83 loss, has been associated with the income statement.

The measurements as of December 31, 2018, hedge of cash flow transactions stated above are determined as effective.

6. Credit derivatives and risk exposures on credit derivatives

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

As of December 31, 2018, “Other Derivative Financial Instruments” with nominal amount of USD 155.000.000 (December 31, 2017 - USD 165.000.000) are included in Bank’s “Swap Interest Sell Transactions.” In aforementioned transaction, the Bank is the seller of the protection for USD 155.000.000.

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL 117.185 (December 31, 2017 - TL 44.781) for litigation and has accounted for it in the accompanying financial statements under the “Other Provisions” account (Section Five, part II.9.5). Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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

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

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SECTION FIVE

IV. Explanations And Disclosures Related To The Income Statement

1. a) Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	5.369.153	115.446	3.428.933	61.137
Medium and Long-Term Loans	6.359.155	1.443.979	4.981.504	765.103
Non-Performing Loans	101.211	-	83.175	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total^(*)	11.829.519	1.559.425	8.493.612	826.240

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

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank ^(*)	-	-	-	1
Domestic Banks	157.311	419	184.786	432
Foreign Banks	3.147	40.231	2.065	12.959
Foreign Headquarters and Branches	-	-	-	-
Total	160.458	40.650	186.851	13.392

^(*) The interest income on Required Reserve amounting TL 200.684 is not included into interest income on Banks. (December 31, 2017: TL113.120).

c) Information on interest income from securities portfolio

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	1.733	423
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	643.608	177.000
Financial Assets Measured at Amortized Cost	1.474.184	254.652
Total	2.119.525	432.075

	Prior Period	
	TL	FC
Held-for-Trading Financial Assets	4.848	496
Financial Assets at FVTPL	1.854	44
Investment Securities Available for Sale	470.587	147.203
Investment Securities Held to Maturity	454.891	161.388
Total	932.180	309.131

As stated in Section Three disclosure VII.2, the Bank has inflation indexed (CPI) government bonds in its financial assets measured at fair value through other comprehensive income (FVOCI) and financial assets measured at amortized Cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The Bank determines the estimated inflation rates used for valuation of securities in line with this. The estimated inflation rate used is updated during the year when necessary. The estimated inflation rate used in the valuation of these securities has been updated and updated according to the inflation rate of 25,24% as of 31 December 2018.

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c) Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	33.374	13.731

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	11.050	1.042.608	7.064	589.853
T.R. Central Bank	-	-	-	-
Domestic Banks	9.020	7.137	7.023	3.043
Foreign Banks	2.030	1.035.471	41	586.810
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	11.050	1.042.608	7.064	589.853

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

b) Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	67.470	66.551

c) Information on interest expense paid to securities issued

As of December 31, 2018 interest paid to securities issued is TL 808.179 (December 31, 2017 – TL 438.658).

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d) Information on maturity structure of interest expenses on deposits (Current Period)

Account	Time Deposits						Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
Turkish Lira								
Bank Deposits	-	39.264	382	839	1.677	-	-	42.162
Saving Deposits	4	535.272	2.984.296	233.837	109.986	188.609	-	4.052.004
Public Sector Deposits	-	493	1.687	113	15	13	-	2.321
Commercial Deposits	156	476.465	542.771	61.017	57.086	91.675	-	1.229.170
Other Deposits	-	7.084	47.884	3.449	2.394	341	-	61.152
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	160	1.058.578	3.577.020	299.255	171.158	280.638	-	5.386.809
Foreign Currency								
Deposits	3	53.044	812.914	51.152	52.114	27.161	-	996.388
Bank Deposits	326	71.865	20.545	970	515	-	-	94.221
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1.635	-	-	-	-	-	1.635
Total	329	126.544	833.459	52.122	52.629	27.161	-	1.092.244
Grand Total	489	1.185.122	4.410.479	351.377	223.787	307.799	-	6.479.053

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

Account	Time Deposit						Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
Turkish Lira								
Bank Deposits	-	49.209	3.115	-	-	-	-	52.324
Saving Deposits	1	228.997	1.808.348	119.927	51.389	116.413	-	2.325.075
Public Sector Deposits	-	402	3.160	211	18	13	-	3.804
Commercial Deposits	1	331.586	508.396	47.800	83.607	58.914	-	1.030.304
Other Deposits	-	5.929	43.732	9.728	28.138	469	-	87.996
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	2	616.123	2.366.751	177.666	163.152	175.809	-	3.499.503
Foreign Currency								
Deposits	-	28.875	413.183	36.454	18.873	12.579	-	509.964
Bank Deposits	300	49.366	5.573	1.418	2.743	-	-	59.400
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	886	-	-	-	-	-	886
Total	300	79.127	418.756	37.872	21.616	12.579	-	570.250
Grand Total	302	695.250	2.785.507	215.538	184.768	188.388	-	4.069.753

e) Information on interest expense on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on Repurchase Agreements (*)	207.119	145.294	79.099	75.553

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

f) Information on finance lease expenses

	Current Period	Prior Period
Finance Lease Expenses	1.200	307

g) Information on interest expense on factoring payables

None (December 31, 2017 – None).

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3. Information on dividend income

	Current Period	Prior Period
Financial Derivative Assets at Fair Value through Profit/Loss (FVTPL)	-	-
From Financial Assets at Fair Value through Profit and Loss	-	-
From Financial Assets at Fair Value through Other Comprehensive Income	-	-
Other	52.196	14.499
Total	52.196	14.499

4. Information on trading income/loss

	Current Period	Prior Period
Trading Income	19.235.990	9.956.145
Gains on Capital Market Operations	43.910	26.121
Derivative Financial Instruments	12.455.883	5.801.054
Foreign Exchange Gains	6.736.197	4.128.970
Trading Loss (-)	20.641.750	11.190.302
Losses on Capital Market Operations	30.358	22.121
Losses on Derivative Financial Instruments	11.929.880	7.058.552
Foreign Exchange Losses	8.681.512	4.109.629
Net Trading Income/Loss	(1.405.760)	(1.234.157)

5. Information on other operating income

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

6. Provision for losses

	Current Period
Expected Credit Loss	2.053.057
12 month expected credit loss (stage 1)	54.951
Significant increase in credit risk (stage 2)	632.661
Non-performing loans (stage 3)	1.365.445
Marketable Securities Impairment Expense	8.369
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	8.369
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	64.122
Total	2.125.548

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	Prior Period
Specific Provisions For Loans and Other Receivables	1.056.549
Loans and Receivables in Group III	330.313
Loans and Receivables in Group IV	194.039
Loans and Receivables in Group V	532.197
Provision for Loans Under Close Monitoring	68.549
General Provisions	107.874
Provision Expenses for Possible Losses	-
Impairment Losses on Securities	-
Financial assets at fair value through profit or loss	-
Investment securities available for sale	-
Impairment Losses on Associates, Subsidiaries and	-
Associates	-
Subsidiaries	-
Entities under common control	-
Investment securities held-to-maturity	-
Other	468
Total	1.233.440

7. Information on other operating expenses

	Current Period	Prior Period
Personnel Expenses ^(*)	1.407.398	1.253.346
Reserve for Employee Termination Benefits	17.705	4.630
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	402	-
Depreciation Expenses of Fixed Assets	135.606	139.471
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	117.839	112.518
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	1.136.751	1.043.318
<i>Operational Leasing Expenses</i>	236.400	221.125
<i>Maintenance Expenses</i>	180.178	146.124
<i>Advertisement Expenses</i>	94.029	93.260
<i>Other Expenses</i>	626.144	582.809
Loss on Sales of Assets	138	376
Other ^(**)	533.643	413.552
Total	3.349.482	2.967.211

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

^(**) Comprising repayments amounting to TL 8.915 (December 31, 2017: TL 20.879) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income.

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

For the period ended December 31, 2018, net interest income in regards to continued operations of TL 7.683.373 (December 31, 2017 – TL 5.651.601), net fees and commission income of TL 2.139.885 (December 31, 2017 – TL 1.685.893) and other operating income of TL 64.077 (December, 2017 – TL 131.780) constitute an important part of the income.

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9. Explanations on tax provision for continued and discontinued operations

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

As of December 31, 2018, the Bank has recorded tax charge TL 711.041 (December 31, 2017 – TL 446.266) and a deferred tax income of TL 62.129 (December 31, 2017 – TL 742 deferred tax income) from its continuing operations.

9.2. Explanations on operating profit/loss after taxes

None (December 31, 2017 – None).

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

Net profit of the Bank from continued operations is TL 2.409.829 (December 31, 2017 – TL 1.603.441).

11. Explanations on net income/loss for the period

11.1. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period

None (December 31, 2017 – None).

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

None.

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

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

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

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

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SECTION FIVE

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

1. Changes resulting from valuation of financial assets measured at fair value through other comprehensive income

Net decrease of TL 223.758 (December 31, 2017 – TL 190.578 net increase) after tax effect resulting from valuation of at financial assets measured at fair value through other comprehensive income is included in “accumulated other comprehensive income or loss reclassified through profit or loss” account under shareholders' equity.

2. Explanations on foreign exchange differences

None.

3. Explanations on dividend

3.1. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2017 profit as stated below at the Ordinary General Assembly held on March 29, 2018.

2017 profit distribution table:

Current Year Profit	1.603.441
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(80.172)
B - The First Dividend for Shareholders(*)	(100.000)
C – Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(1.423.269)

(*)Distributed as cash bonus to shareholders

3.2. Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (December 31, 2017- Profit distribution for 2017 is detailed in footnote 3.1).

3.3. Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained Earnings	80.172	60.171

4. Information on issuance of share certificates

4.1 The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (December 31, 2017 - None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

There was no capital increase in 2018. Capital increase amounting to TL 200.000 presented in the Statement of Changes in Shareholder's Equity in 2017 entirely provided from extraordinary reserves.

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VI. EXPLANATIONS AND DISCLOSURES RELATED TO CASH FLOWS STATEMENT

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

“Other items” amounting to TL 3.380.789 (December 31, 2017 – TL 2.048.058) in “Operating profit before changes in operating assets and liabilities” consist of commissions paid amounting to TL 547.142 (December 31, 2017 – TL 363.096), net trading income/loss by TL 1.558.471 (December 31, 2017 – TL 50.908 net trading income/loss) and other operating expenses amounting to TL 1.275.177 (December 31, 2017 – TL 1.735.870).

“Other items” in changes in operating assets amounting to TL 3.726.562 (December 31, 2017- TL 446.374) consist of the increase in collaterals given by TL 1.769.189 (December 31, 2017- TL 179.491 decrease) and the decrease in other assets by TL 1.957.373 (December 31, 2017 - TL 625.865 increase).

“Other items” in changes in operating liabilities amounting to TL 3.914.640 (December 31, 2017- TL 650.456) consist of the decrease in money market borrowings by TL 1.780.605 (December 31, 2017- TL 33.854 increase), the increase in sundry debtors and other liabilities by TL 5.929.429 (December 31, 2017- TL 584.335 increase) and the decrease in other capital reserves by TL 234.182 (December 31, 2017 – TL 32.067).

“Other items” in changes in net cash provided from banking operations amounting to TL 185.921 (December 31, 2017 – TL 161.449) includes the increase in intangible assets.

Effect of change in foreign currency on cash and cash equivalents is calculated as the difference between monthly average balances converted to TL using the currency rate at the beginning and at the end of the period and is TL 40.687 (December 31, 2017 – TL 1.900) as of December 31, 2018.

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	Current Period December 31, 2017
Cash	1.012.047
Cash in TL	644.333
Cash in Foreign Currencies	340.629
Other	27.085
Cash Equivalents	4.940.751
Balances with the T.R. Central Bank	3.700.772
Banks	1.171.424
Money Market Placements	114.899
Less: Placements with Banks with Maturities Longer than 3 Months	(38.155)
Less: Accruals	(8.189)
Cash and Cash Equivalents	5.952.798

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3. Information regarding the balances of cash and cash equivalents at the end of the period

	Current Period
	December 31, 2018
Cash	1.705.411
Cash in TL	787.019
Cash in Foreign Currencies	849.141
Other	69.251
Cash Equivalents	7.061.654
Balances with the T.R. Central Bank	5.986.379
Banks	1.033.561
Money Market Placements	102.180
Less: Placements with Banks with Maturities Longer than 3 Months	(60.389)
Less: Accruals	(77)
Cash and Cash Equivalents	8.767.065

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 198.524 (December 31, 2017- TL 121.343) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the Bank's potential borrowings that can be used for ordinary operations or capital commitment

None.

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SECTION FIVE

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

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

- 1.1.** As of December 31, 2018, the Bank's risk group has deposits, cash and non-cash loans at the Bank amounting to TL 710.112 (December 31, 2017 – TL 738.760) deposit and TL 549.046 (December 31, 2017- TL 331.694) cash loans and TL 18.893 (December 31, 2017 – TL 12.254) non-cash loans respectively.

Current Period

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	330.935	10.384	613	-	146	1.870
Balance at the End of the Period	548.950	16.087	1.755	-	96	2.806
Interest and Commission Income	33.374	163	-	37	32	44

Prior Period

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	264.052	5.896	1.179	-	1.252	1.586
Balance at the End of the Period	330.935	10.384	613	-	146	1.870
Interest and Commission Income(***)	13.731	112	-	26	73	29

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

(**) Includes the loans given to the Bank's indirect subsidiaries.

(***) Prior Period Balance Represents December 31, 2017 balance

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

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	568.454	89.151	-	-	170.306	179.718
Balance at the End of the Period	551.043	568.454	-	-	159.069	170.306
Interest on deposits(***)	67.470	66.551	-	-	21.187	15.903

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

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

(***) Prior Period Balance Represents December 31, 2017 balance.

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1.3. Information on forward and option agreements and similar agreements made with the Bank's risk group

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	470.862	104.180	1.046	-	-	-
End of the Period	1.569.213	470.862	-	1.046	-	-
Total Income/Loss (***)	33.745	9.055	15	(19)	-	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss (***)	-	-	-	-	-	-

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

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

(***) Prior Period Balance Represents December 31, 2017 balance.

1.4. Information on benefits provided to top management

As of December 31, 2018, the total amount of remuneration and bonuses paid to top management of the Bank is TL 90.436 (December 31, 2017 - TL 82.697).

2. Disclosures of transactions with the Bank's risk group

2.1. Relations with entities in the risk group of / or controlled by the Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

2.2. In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

As of December 31, 2018, cash loans of the risk group represented 0,6% of the Bank's total cash loans (December 31, 2017 – 0,4%), the deposits represented 0,8% of the Bank's total deposits (December 31, 2017 – 1,1%) and derivative transactions represented 0,7% of the Bank's total derivative transactions (December 31, 2017 – 0,2%).

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

The Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş. As of December 31, 2018, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TL 24.623 (December 31, 2017 - TL 6.699) relating with finance lease agreements.

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

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

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

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

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VIII. EXPLANATIONS ON THE BANK’S DOMESTIC, FOREIGN AND OFF-SHORE BANKING BRANCHES AND FOREIGN REPRESENTATIVES

1. Information relating to the bank’s domestic and foreign branch and representatives

	Number	Employees			
Domestic Branch	541	12.268			
Foreign Representation	-	-			
				Total Assets	Capital
Foreign Branch	1	8	1- Bahreyn	21.229.746	-
Off-shore Banking and Region Branches	-	-	-	-	-

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SECTION SIX

OTHER EXPLANATIONS

I. Other explanations related to the Bank's operations

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

The Bank, made a discounted bond issuance; on January 3, 2018 at a nominal amount of TL 64.870 along with an interest rate of 23,05% maturing in 47 days, a discounted bond issuance on January 4, 2018 at a nominal amount of TL 117.860 with an interest rate of 23,00% maturing in 77 days, a discounted bond issuance with coupon payments on January 11, 2018 at a nominal amount of TL 107.900 with an interest rate 21,91% maturing in 46 days, a discounted bond issuance on January 11, 2018 at a nominal amount TL 101.000 with an interest rate of 24,83% maturing in 84 days, a discounted bond issuance on January 18, 2018 at a nominal amount of TL 221.640 with an interest rate of 22,60% maturing 84 days and a discounted bond on January 18, 2018 at a nominal amount of TL 220.750 with an interest rate 23,10% maturing in 175 days and a discounted bond on January 22, 2018 at a nominal amount of TL 4.400 with an interest rate 21,20% and a discounted bond on January 23, 2018 at a nominal amount of TL 34.000 with an interest rate 20,87% and a discounted bond on January 25, 2018 at a nominal amount of TL 130.730 with an interest rate 21,70% and a eurobond on January 20, 2018 at a nominal amount of EUR 20.000 with an interest rate 0,90% and a discounted bond on January 31, 2018 at a nominal amount of TL 39.900 with an interest rate 21,63% and a discounted bond on January 31, 2018 at a nominal amount of TL 145.200 with an interest rate 21,72% and a discounted bond on February 1, 2018 at a nominal amount of TL 103.226 with an interest rate 21,41% and a discounted bond on February 1, 2018 at a nominal amount of TL 122.220 with an interest rate 21,70%.

2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users and foreign operations of the bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

None.

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SECTION SEVEN

INDEPENDENT AUDITOR’S REPORT

I. Explanations on the Independent Audit Report

The unconsolidated financial statements for the period ended December 31, 2018 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor’s report dated February 4, 2019 is presented preceding the unconsolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2017 – None).