QNB FİNANSBANK ANONİM ŞİRKETİ
INDEPENDENT AUDITOR'S AUDIT REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2018

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

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the General Assembly of QNB Finansbank Anonim Şirketi:

Report on the Audit of Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Hedge Accounting	
As explained in Section 5 Note I.13 and II.8, the Group enters into hedging transactions and applies hedge accounting in order to manage the interest rate and foreign currency rate risks. The Group uses derivative financial instruments and other hedging relationships to hedge its financial risks such as loans and receivables, available-for-sale financial assets, deposits, securities issued and borrowings. Hedge accounting is considered to be 'key audit matter' due to the potential risks on eligibility of hedge relationship in accordance with TAS 39 'Financial Instruments: Recognition and Measurement', effectiveness of the tests, fair value calculation of financial instruments, documentation and termination of hedge relationship including the effect of termination on the carrying amount of assets.	In addition to general audit procedures our audit procedures include the re-calculation of fair values of derivative financial instruments, assessment of the financial risk components, documentation of all hedging relationships, examination of the effectiveness tests, the review of hedge accounting records, evaluating the appropriateness of the carrying amount of the asset in accordance with the relevant standards in case of a termination.
Valuation of Derivative Financial Instruments	
Foreign currency forward transactions, currency and interest rate swap transactions, money options, money futures transactions and all other derivative financial instruments are recorded at fair value on the balance sheet and their fair values are subject to continuous revaluation. Details of the related amounts are explained in Section 5 Note I.2.b and Note II.2. The fair value of derivative financial instruments is determined by selecting the most appropriate market data and applying valuation techniques for certain products. Due to the assumptions, estimates and subjectivity used in these applications, derivative financial instruments are considered as a key audit matter by us.	In addition to our auditing procedures, include reviewing the fair valuation policies as determined by the Group Management, checking the fair value calculations of the derivative financial instruments chosen by the sample as valuation experts, evaluating the assumptions and estimates used, operational evaluation and testing.

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Responsibilities of Management and Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

Damla Harman, SMMM
Partner

4 February 2019
İstanbul, Türkiye

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

The Parent Bank's;

Address of the Head Office	: Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL
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Web page	: www.qnbfinansbank.com
E-mail address	: investor.relations@qnbfinansbank.com

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES OF THE PARENT BANK
- INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDIT REPORT

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

Subsidiaries
1. QNB Finans Finansal Kiralama Anonim Şirketi
2. QNB Finans Yatırım Menkul Değerler Anonim Şirketi
3. QNB Finans Portföy Yönetimi Anonim Şirketi
4. QNB Finans Faktoring Anonim Şirketi
5. Hemenal Finansman Anonim Şirketi
6. QNB Finans Varlık Kiralama Şirketi A.Ş

Entities Under Common Control (Joint Ventures)
1. Cigna Finans Emeklilik ve Hayat Anonim Şirketi

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

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

Ömer A. Aras Chairman of the Board of Directors	**Ali Teoman Kerman** Member of the Board of Directors and Chairman of the Audit Committee	**Ramzi T.A. Mari** Member of the Board of Directors and of the Audit Committee
Noor Mohd J. A. Al-Naimi Member of the Board of Directors and of the Audit Committee	**Durmuş Ali Kuzu** Member of the Board of Directors and of the Audit Committee	
Temel Güzeloğlu General Manager and Member of the Board of Directors	**Adnan Menderes Yayla** Executive Vice President Responsible of Financial Control and Planning	**Ercan Sakarya** Director of Financial, Statutory Reporting and Treasury Control

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

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

INDEX

SECTION ONE
GENERAL INFORMATION ABOUT THE PARENT BANK

SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS

SECTION THREE
ACCOUNTING POLICIES

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

SECTION FIVE
EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

SECTION SIX
EXPLANATIONS ON AUDITOR'S REVIEW REPORT

SECTION SEVEN
INDEPENDENT AUDIT REPORT

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

II. Information About the Parent Bank's Shareholding Structure, Shareholders Who Individually or Jointly Have the Power to Control the Management and Audit Directly or Indirectly, Changes Regarding These Subjects During the Year, If Any, and Information About the Controlling Group of the Parent Bank

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

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

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

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

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

III. Information about the Chairman and Members of Board of Directors, Members of Audit Committee, Managing Director and Executive Vice Presidents; Any Changes, and the Information about the Parent Bank Shares They Hold and Their Responsibilities

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

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

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

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

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

The Parent Bank’s activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets, securities operations and credit card operations. In addition, the Parent Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of December 31, 2018, the Parent Bank operates through 540 domestic (December 31, 2017 - 578), 1 foreign (December 31, 2017 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2017 - 1) branches. As of December 31, 2018, the Group has 13.466 employees (December 31, 2017 – 13.095 employees).

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

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

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

All other subsidiaries are fully consolidated.

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

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

I. CONSOLIDATED BALANCE SHEET – ASSETS

			Audited 31.12.2018		
		Section 5 Part I	TL	FC	Total
I.	**FINANCIAL ASSETS (Net)**		**26.600.080**	**27.411.488**	**54.011.568**
1.1	**Cash and Cash Equivalents**		**2.537.892**	**17.725.314**	**20.263.206**
1.1.1	Cash and Balances with The Central Bank	(1)	1.822.718	16.688.725	18.511.443
1.1.2	Banks	(3)	205.463	1.036.589	1.242.052
1.1.3	Receivables From Money Market	(4)	509.711	-	509.711
1.2	**Financial Assets Measured at Fair Value through Profit/Loss**	**(2)**	**42.381**	**3.358**	**45.739**
1.2.1	Public Sector Debt Securities		19.616	2.811	22.427
1.2.2	Equity Securities		7.320	-	7.320
1.2.3	Other Financial Assets		15.445	547	15.992
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income**	**(5)**	**4.547.355**	**3.898.418**	**8.445.773**
1.3.1	Public Sector Debt Securities		4.540.725	3.763.899	8.304.624
1.3.2	Equity Securities		4.912	113.259	118.171
1.3.3	Other Financial Assets		1.718	21.260	22.978
1.4	**Financial Assets Measured at Amortized Cost**	**(8)**	**7.916.505**	**5.015.688**	**12.932.193**
1.4.1	Public Sector Debt Securities		7.916.505	4.283.527	12.200.032
1.4.2	Other Financial Assets		-	732.161	732.161
1.5	**Derivative Financial Assets**	**(13)**	**11.632.619**	**768.710**	**12.401.329**
1.5.1	Derivative Financial Assets at Fair Value Through Profit/Loss		8.929.754	657.292	9.587.046
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		2.702.865	111.418	2.814.283
1.6	**Non Performing Financial Assets**		**-**	**-**	**-**
1.7	**Expected Credit Losses (-)**		**76.672**	**-**	**76.672**
II.	**LOANS (Net)**	**(6)**	**67.354.155**	**33.022.436**	**100.376.591**
2.1	**Loans**		**66.306.683**	**29.102.370**	**95.409.053**
2.1.1	Loans Measured at Amortized Cost		66.306.683	28.992.338	95.299.021
2.1.2	Loans Measured at Fair Value Through Profit/Loss		-	110.032	110.032
2.1.3	Loans Measured at Fair Value Through Other Comprehensive Income		-	-	-
2.2	**Lease Receivables**	**(12)**	**1.381.904**	**3.706.195**	**5.088.099**
2.2.1	Financial Lease Receivables		1.847.107	4.216.715	6.063.822
2.2.2	Operational Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		465.203	510.520	975.723
2.3	**Factoring Receivables**	**(7)**	**868.619**	**104.385**	**973.004**
2.3.1	Factoring Receivables Measured at Amortized Cost		868.619	104.385	973.004
2.3.2	Factoring Receivables Measured at Fair Value Through Profit/Loss		-	-	-
2.3.3	Factoring Receivables Measured at Fair Value Through Other Comprehensive Income		-	-	-
2.4	**Non Performing Receivables**		**6.406.497**	**207.766**	**6.614.263**
2.5	**Expected Credit Losses (-)**		**7.609.548**	**98.280**	**7.707.828**
2.5.1	12-Month Expected Loss Provision (Stage 1)		1.074.355	4.169	1.078.524
2.5.2	Significant Increase in Credit Risk (Stage 2)		1.667.392	24.740	1.692.132
2.5.3	Default (Stage 3)		4.867.801	69.371	4.937.172
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	**(18)**	-	-	-
3.1	Held for sale		-	-	-
3.2	Discontinued Operations		-	-	-
IV.	**INVESTMENTS (Net)**		**186.645**	**-**	**186.645**
4.1	**Investment in Associates (Net)**	**(9)**	**5.982**	**-**	**5.982**
4.1.1	Equity Method Associates		-	-	-
4.1.2	Unconsolidated		5.982	-	5.982
4.2	**Investment in Subsidiaries (Net)**		**38.054**	**-**	**38.054**
4.2.1	Unconsolidated Financial Investments		-	-	-
4.2.2	Unconsolidated Non-Financial Investments		38.054	-	38.054
4.3	**Equity Under Common Control (Joint Ventures) (Net)**	**(10)**	**142.609**	**-**	**142.609**
4.3.1	Equity method associates		139.809	-	139.809
4.3.2	Unconsolidated		2.800	-	2.800
V.	**TANGIBLE ASSETS (Net)**	**(14)**	**2.868.939**	**61**	**2.869.000**
VI.	**INTANGIBLE ASSETS (Net)**	**(15)**	**411.200**	**-**	**411.200**
6.1	Goodwill		-	-	-
6.2	Others		411.200	-	411.200
VII.	**INVESTMENT PROPERTIES (Net)**	**(16)**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**	**(17)**	**77.001**	**-**	**77.001**
IX.	**DEFERRED TAX ASSET**	**(17)**	**618.081**	**-**	**618.081**
X.	**OTHER ASSETS**	**(19)**	**2.749.952**	**2.200.196**	**4.950.148**
	TOTAL ASSETS		**100.866.053**	**62.634.181**	**163.500.234**

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

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

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

I. CONSOLIDATED BALANCE SHEET – ASSETS

				Audited 31.12.2017	
		Section 5 Part I	TL	FC	Total
I.	**CASH AND BALANCES WITH THE CENTRAL BANK**	**(1)**	**2.130.940**	**13.751.332**	**15.882.272**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)**	**(2)**	**2.349.894**	**254.216**	**2.604.110**
2.1	Financial assets held for trading		2.339.315	254.216	2.593.531
2.1.1	Public sector debt securities		45.343	8.355	53.698
2.1.2	Equity securities		-	-	-
2.1.3	Assets on trading derivatives		2.258.281	245.861	2.504.142
2.1.4	Other securities		35.691	-	35.691
2.2	Financial assets at fair value through profit and loss		10.579	-	10.579
2.2.1	Public sector debt securities		-	-	-
2.2.2	Equity securities		-	-	-
2.2.3	Loans		10.579	-	10.579
2.2.4	Other securities		-	-	-
III.	**BANKS**	**(3)**	**17.657**	**1.282.115**	**1.299.772**
IV.	**MONEY MARKET PLACEMENTS**		**241.859**	**-**	**241.859**
4.1	Interbank money market placements		1.029	-	1.029
4.2	Istanbul Stock Exchange money market placements		240.830	-	240.830
4.3	Receivables from reverse repurchase agreements	(4)	-	-	-
V.	**INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)**	**(5)**	**5.120.273**	**3.229.602**	**8.349.875**
5.1	Equity securities		4.779	70.891	75.670
5.2	Public sector debt securities		5.115.196	3.143.191	8.258.387
5.3	Other securities		298	15.520	15.818
VI.	**LOANS AND RECEIVABLES**	**(6)**	**63.275.332**	**19.153.024**	**82.428.356**
6.1	Loans and receivables		62.471.877	19.153.024	81.624.901
6.1.1	Loans to risk group of the Bank		98	48	146
6.1.2	Public sector debt securities		-	-	-
6.1.3	Other		62.471.779	19.152.976	81.624.755
6.2	Non-performing loans		4.344.169	-	4.344.169
6.3	Specific provisions (-)		3.540.714	-	3.540.714
VII.	**FACTORING RECEIVABLES**	**(7)**	**1.285.314**	**95.688**	**1.381.002**
VIII.	**INVESTMENT SECURITIES HELD TO MATURITY (Net)**	**(8)**	**3.740.199**	**3.428.465**	**7.168.664**
8.1	Public sector debt securities		3.740.199	2.826.843	6.567.042
8.2	Other securities		-	601.622	601.622
IX.	**INVESTMENT IN ASSOCIATES (Net)**	**(9)**	**3.766**	**-**	**3.766**
9.1	Equity method associates		-	-	-
9.2	Unconsolidated		3.766	-	3.766
9.2.1	Financial Investments		-	-	-
9.2.2	Non-financial Investments		3.766	-	3.766
X.	**INVESTMENT IN SUBSIDIARIES (Net)**	**(10)**	**18.054**	**-**	**18.054**
10.1	Unconsolidated financial investments		-	-	-
10.2	Unconsolidated non-financial investments		18.054	-	18.054
XI.	**ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)**	**(11)**	**123.208**	**-**	**123.208**
11.1	Equity method entities under common control		120.408	-	120.408
11.2	Unconsolidated		2.800	-	2.800
11.2.1	Financial investments		-	-	-
11.2.2	Non-financial Investments		2.800	-	2.800
XII.	**LEASE RECEIVABLES (Net)**	**(12)**	**1.355.800**	**3.110.263**	**4.466.063**
12.1	Financial lease receivables		1.750.747	3.484.684	5.235.431
12.2	Operational lease receivables		-	-	-
12.3	Others		-	-	-
12.4	Unearned income (-)		394.947	374.421	769.368
XIII.	**DERIVATIVE FINANCIAL ASSETS HEDGING PURPOSES**	**(13)**	**2.875.719**	**62.407**	**2.938.126**
13.1	Fair value hedge		1.964.761	28.732	1.993.493
13.2	Cash flow hedge		910.958	33.675	944.633
13.3	Hedging of a net investment in foreign subsidiaries		-	-	-
XIV.	**TANGIBLE ASSETS (Net)**		**1.942.750**	**43**	**1.942.793**
XV.	**INTANGIBLE ASSETS (Net)**		**338.761**	**-**	**338.761**
15.1	Goodwill		-	-	-
15.2	Others		338.761	-	338.761
XVI.	**INVESTMENT PROPERTIES (Net)**	**(14)**	**-**	**-**	**-**
XVII.	**TAX ASSETS**	**(15)**	**47.075**	**-**	**47.075**
17.1	Current tax assets		12.181	-	12.181
17.2	Deferred tax assets		34.894	-	34.894
XVIII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**(16)**	**-**	**-**	**-**
18.1	Held for sale		-	-	-
18.2	Discontinued operations		-	-	-
XIX.	**OTHER ASSETS**	**(17)**	**1.543.255**	**417.654**	**1.960.909**
	TOTAL ASSETS		**86.409.856**	**44.784.809**	**131.194.665**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

				Audited 31.12.2018	
		Section 5 Part II	TL	FC	Total
I.	**DEPOSITS**	**(1)**	**44.763.096**	**42.063.120**	**86.826.216**
II.	**FUNDS BORROWED**	**(3)**	**1.102.021**	**19.450.212**	**20.552.233**
III.	**MONEY MARKET BORROWINGS**	**(4)**	**711.126**	**4.622.546**	**5.333.672**
IV.	**SECURITIES ISSUED (NET)**	**(5)**	**4.084.174**	**7.765.903**	**11.850.077**
4.1	Bills		3.482.767	388.754	3.871.521
4.2	Asset Backed Securities		436.650	-	436.650
4.3	Bonds		164.757	7.377.149	7.541.906
V.	**FUNDS**		-	-	-
5.1	Borrowers' Funds		-	-	-
5.2	Others		-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS (NET)**		-	-	-
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**5.611.501**	**838.688**	**6.450.189**
7.1	Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net)	(2)	5.451.826	662.190	6.114.016
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	159.675	176.498	336.173
VIII.	**FACTORING PAYABLES**		-	-	-
IX.	**LEASE PAYABLES (Net)**	**(7)**	-	-	-
9.1	Financial Lease Payables		-	-	-
9.2	Operational Lease Payables		-	-	-
9.3	Others		-	-	-
9.4	Deferred Financial Lease Expenses (-)		-	-	-
X.	**PROVISIONS**	**(9)**	**826.061**	-	**826.061**
10.1	Restructuring Provisions		-	-	-
10.2	Reserve for Employee Benefits		452.523	-	452.523
10.3	Insurance Technical Provisions (Net)		-	-	-
10.4	Other Provisions		373.538	-	373.538
XI.	**CURRENT TAX LIABILITY**	**(10)**	**159.866**	-	**159.866**
XII.	**DEFERRED TAX LIABILITY**		-	-	-
XIII.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	**(11)**	-	-	-
13.1	Held for Sale		-	-	-
13.2	Discontinued Operations		-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**	**(12)**	-	**4.816.098**	**4.816.098**
14.1	Subordinated Loans		-	4.816.098	4.816.098
14.2	Other Debt Instruments		-	-	-
XV.	**OTHER LIABILITIES**		**5.189.832**	**6.892.547**	**12.082.379**
XVI.	**SHAREHOLDERS' EQUITY**		**15.088.886**	**(485.443)**	**14.603.443**
16.1	Paid-in Capital	(13)	3.350.000	-	3.350.000
16.2	Capital Reserves	(14)	714	-	714
16.2.1	Share Premium		714	-	714
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Other Capital Reserves		-	-	-
16.3	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		(52.953)	44.291	(8.662)
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		430.556	(529.734)	(99.178)
16.5	Profit Reserves		8.781.070	-	8.781.070
16.5.1	Legal Reserves		634.516	-	634.516
16.5.2	Status Reserves		-	-	-
16.5.3	Extraordinary Reserves		8.146.554	-	8.146.554
16.5.4	Other Profit Reserves		-	-	-
16.6	Profit/Loss		2.572.708	-	2.572.708
16.6.1	Prior Periods' Profit/Loss		-	-	-
16.6.2	Current Period's Net Profit/Loss		2.572.708	-	2.572.708
16.7	Minority Interest		6.791	-	6.791
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**77.536.563**	**85.963.671**	**163.500.234**

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QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

				Audited 31.12.2017	
		Section 5 Part II	TL	FC	Total
I.	**DEPOSITS**	**(1)**	**34.571.346**	**32.972.029**	**67.543.375**
1.1	Deposits from risk group of the Bank		608.766	31.874	640.640
1.2	Other		33.962.580	32.940.155	66.902.735
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**(2)**	**1.871.882**	**198.362**	**2.070.244**
III.	**FUNDS BORROWED**	**(3)**	**1.454.981**	**16.557.045**	**18.012.026**
IV.	**MONEY MARKET BORROWINGS**		**2.368.511**	**4.631.256**	**6.999.767**
4.1	Interbank money markets takings		-	-	-
4.2	Istanbul Stock Exchange money markets takings		509.609	-	509.609
4.3	Funds provided under repurchase agreements	(4)	1.858.902	4.631.256	6.490.158
V.	**SECURITIES ISSUED (Net)**	**(5)**	**4.403.345**	**5.994.680**	**10.398.025**
5.1	Bills		4.208.176	57.156	4.265.332
5.2	Asset backed securities		-	-	-
5.3	Bonds		195.169	5.937.524	6.132.693
VI.	**FUNDS**		-	-	-
6.1	Borrower funds		-	-	-
6.2	Other		-	-	-
VII.	**SUNDRY CREDITORS**		**2.679.544**	**3.535.867**	**6.215.411**
VIII.	**OTHER LIABILITIES**	**(6)**	**602.663**	**316.609**	**919.272**
IX.	**FACTORING PAYABLES**		-	-	-
X.	**LEASE PAYABLES (Net)**	**(7)**	-	-	-
10.1	Financial lease payables		-	-	-
10.2	Operational lease payables		-	-	-
10.3	Others		-	-	-
10.4	Deferred financial lease expenses (-)		-	-	-
XI.	**DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES**	**(8)**	**296.819**	**239.255**	**536.074**
11.1	Fair value hedge		16.615	204.528	221.143
11.2	Cash flow hedge		280.204	34.727	314.931
11.3	Hedge of net investments in foreign subsidiaries		-	-	-
XII.	**PROVISIONS**	**(9)**	**2.092.983**	-	**2.092.983**
12.1	General provisions		1.397.267	-	1.397.267
12.2	Restructuring provisions		-	-	-
12.3	Reserve for employee benefits		379.810	-	379.810
12.4	Insurance technical provisions (Net)		-	-	-
12.5	Other provisions		315.906	-	315.906
XIII.	**TAX LIABILITY**	**(10)**	**468.310**	-	**468.310**
13.1	Current tax liability		419.559	-	419.559
13.2	Deferred tax liability		48.751	-	48.751
XIV.	**PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)**	**(11)**	-	-	-
14.1	Held for sale		-	-	-
14.2	Discontinued operations		-	-	-
XV.	**SUBORDINATED LOANS**	**(12)**	-	**3.510.837**	**3.510.837**
XVI.	**SHAREHOLDERS' EQUITY**		**12.581.490**	**(153.149)**	**12.428.341**
16.1	Paid-in capital	(13)	3.350.000	-	3.350.000
16.2	Capital reserves		87.823	(153.149)	(65.326)
16.2.1	Share premium	(14)	714	-	714
16.2.2	Share cancellation profits		-	-	-
16.2.3	Securities value increase fund	(15)	(53.163)	(176.412)	(229.575)
16.2.4	Revaluation fund on tangible assets		-	-	-
16.2.5	Revaluation fund on intangible assets		-	-	-
16.2.6	Investment property revaluation differences		-	-	-
16.2.7	Bonus shares obtained from associates, subsidiaries and entities under common control (joint ventures)		-	-	-
16.2.8	Hedging funds (effective portion)		208.584	23.263	231.847
16.2.9	Accumulated valuation differences from assets held for sale and discontinued operations		-	-	-
16.2.10	Other capital reserves		(68.312)	-	(68.312)
16.3	Profit reserves		7.365.587	-	7.365.587
16.3.1	Legal reserves		550.059	-	550.059
16.3.2	Status reserves		-	-	-
16.3.3	Extraordinary reserves		6.815.528	-	6.815.528
16.3.4	Other profit reserves		-	-	-
16.4	Profit or loss		1.771.786	-	1.771.786
16.4.1	Prior years' income/ (losses)		-	-	-
16.4.2	Current period income/ (loss)		1.771.786	-	1.771.786
16.5	Minority shares		6.294	-	6.294
	TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**63.391.874**	**67.802.791**	**131.194.665**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OFF BALANCE SHEET
FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

				Audited 31.12.2018	
		Section 5 Part III	TL	FC	TOTAL
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**130.725.576**	**177.963.434**	**308.689.010**
I.	**GUARANTEES**	**(1), (2), (3),(4)**	**8.744.817**	**14.944.429**	**23.689.246**
1.1.	Letters of guarantee		8.728.878	8.756.308	17.485.186
1.1.1.	Guarantees subject to State Tender Law		363.694	43.691	407.385
1.1.2.	Guarantees given for foreign trade operations		4.414.542	8.712.617	13.127.159
1.1.3.	Other letters of guarantee		3.950.642	-	3.950.642
1.2.	Bank loans		15.820	4.460.434	4.476.254
1.2.1.	Import letter of acceptance		15.820	4.460.434	4.476.254
1.2.2.	Other bank acceptances		-	-	-
1.3.	Letters of credit		119	1.727.687	1.727.806
1.3.1.	Documentary letters of credit		119	1.682.271	1.682.390
1.3.2.	Other letters of credit		-	45.416	45.416
1.4.	Prefinancing given as guarantee		-	-	-
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2.	Other endorsements		-	-	-
1.6.	Securities issue purchase guarantees		-	-	-
1.7.	Factoring guarantees		-	-	-
1.8.	Other guarantees		-	-	-
1.9.	Other collaterals		-	-	-
II.	**COMMITMENTS**		**63.715.808**	**3.974.340**	**67.690.148**
2.1.	Irrevocable commitments	(1)	36.609.777	2.179.323	38.789.100
2.1.1.	Forward asset purchase commitments		427.989	1.718.222	2.146.211
2.1.2.	Forward deposit purchase and sales commitments		-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-
2.1.4.	Loan granting commitments		10.851.659	526	10.852.185
2.1.5.	Securities underwriting commitments		-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Payment commitment for checks		2.181.264	-	2.181.264
2.1.8.	Tax and fund liabilities from export commitments		28.728	-	28.728
2.1.9.	Commitments for credit card expenditure limits		22.362.300	-	22.362.300
2.1.10.	Commitments for promotions related with credit cards and banking activities		29.958	-	29.958
2.1.11.	Receivables from short sale commitments		-	-	-
2.1.12.	Payables for short sale commitments		-	-	-
2.1.13.	Other irrevocable commitments		727.879	460.575	1.188.454
2.2.	Revocable commitments		27.106.031	1.795.017	28.901.048
2.2.1.	Revocable loan granting commitments		27.048.976	1.678.758	28.727.734
2.2.2.	Other revocable commitments		57.055	116.259	173.314
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(5), (6)**	**58.264.951**	**159.044.665**	**217.309.616**
3.1	Derivative financial instruments for hedging purposes		18.063.782	47.418.740	65.482.522
3.1.1	Fair value hedge		6.676.382	17.556.538	24.232.920
3.1.2	Cash flow hedge		11.387.400	29.862.202	41.249.602
3.1.3	Hedge of net investment in foreign operations		-	-	-
3.2	Held for trading transactions		40.201.169	111.625.925	151.827.094
3.2.1	Forward foreign currency buy/sell transactions		2.517.071	4.581.723	7.098.794
3.2.1.1	Forward foreign currency transactions-buy		1.335.604	2.193.969	3.529.573
3.2.1.2	Forward foreign currency transactions-sell		1.181.467	2.387.754	3.569.221
3.2.2	Swap transactions related to foreign currency and interest rates		32.179.059	99.168.311	131.347.370
3.2.2.1	Foreign currency swap-buy		14.037.137	30.588.966	44.626.103
3.2.2.2	Foreign currency swap-sell		16.501.922	28.568.691	45.070.613
3.2.2.3	Interest rate swaps-buy		820.000	20.005.327	20.825.327
3.2.2.4	Interest rate swaps-sell		820.000	20.005.327	20.825.327
3.2.3	Foreign currency, interest rate and securities options		5.505.039	6.823.437	12.328.476
3.2.3.1	Foreign currency options-buy		2.341.029	3.789.135	6.130.164
3.2.3.2	Foreign currency options-sell		3.164.010	3.034.302	6.198.312
3.2.3.3	Interest rate options-buy		-	-	-
3.2.3.4	Interest rate options-sell		-	-	-
3.2.3.5	Securities options-buy		-	-	-
3.2.3.6	Securities options-sell		-	-	-
3.2.4	Foreign currency futures		-	237.014	237.014
3.2.4.1	Foreign currency futures-buy		-	118.507	118.507
3.2.4.2	Foreign currency futures-sell		-	118.507	118.507
3.2.5	Interest rate futures		-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-
3.2.6	Other		-	815.440	815.440
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**739.031.665**	**166.377.574**	**905.409.239**
IV.	**ITEMS HELD IN CUSTODY**		**70.978.459**	**7.436.300**	**78.414.759**
4.1.	Assets under management		2.215.608	15.581	2.231.189
4.2.	Investment securities held in custody		34.063.877	2.863.101	36.926.978
4.3.	Checks received for collection		4.428.561	688.567	5.117.128
4.4.	Commercial notes received for collection		1.516.634	342.062	1.858.696
4.5.	Other assets received for collection		-	-	-
4.6.	Assets received for public offering		-	-	-
4.7.	Other items under custody		28.753.779	3.526.989	32.280.768
4.8.	Custodians		-	-	-
V.	**PLEDGED ITEMS**		**406.521.737**	**96.312.753**	**502.834.490**
5.1.	Marketable securities		2.540.568	8.044.413	10.584.981
5.2.	Guarantee notes		442.693	131.866	574.559
5.3.	Commodity		66.090	-	66.090
5.4.	Warranty		-	-	-
5.5.	Properties		90.756.028	53.481.420	144.237.448
5.6.	Other pledged items		312.716.358	34.655.054	347.371.412
5.7.	Pledged items-depository		-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**261.531.469**	**62.628.521**	**324.159.990**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**869.757.241**	**344.341.008**	**1.214.098.249**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OFF BALANCE SHEET
FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

				Audited 31.12.2017	
		Section 5 Part III	TL	FC	TOTAL
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**133.957.021**	**134.110.696**	**268.067.717**
I.	**GUARANTEES**	**(1), (2), (3),(4)**	**8.839.416**	**10.475.633**	**19.315.049**
1.1.	Letters of guarantee		8.818.479	5.700.387	14.518.866
1.1.1.	Guarantees subject to State Tender Law		426.846	30.598	457.444
1.1.2.	Guarantees given for foreign trade operations		4.699.770	5.669.789	10.369.559
1.1.3.	Other letters of guarantee		3.691.863	-	3.691.863
1.2.	Bank loans		19.991	2.992.901	3.012.892
1.2.1.	Import letter of acceptance		19.991	2.992.901	3.012.892
1.2.2.	Other bank acceptances		-	-	-
1.3.	Letters of credit		946	1.782.345	1.783.291
1.3.1.	Documentary letters of credit		946	1.713.499	1.714.445
1.3.2.	Other letters of credit		-	68.846	68.846
1.4.	Prefinancing given as guarantee		-	-	-
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2.	Other endorsements		-	-	-
1.6.	Securities issue purchase guarantees		-	-	-
1.7.	Factoring guarantees		-	-	-
1.8.	Other guarantees		-	-	-
1.9.	Other collaterals		-	-	-
II.	**COMMITMENTS**		**51.328.750**	**3.053.424**	**54.382.174**
2.1.	Irrevocable commitments	(1)	31.191.593	2.360.737	33.552.330
2.1.1.	Forward asset purchase commitments		954.489	1.835.755	2.790.244
2.1.2.	Forward deposit purchase and sales commitments		-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-
2.1.4.	Loan granting commitments		9.774.194	381	9.774.575
2.1.5.	Securities underwriting commitments		-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Payment commitment for checks		2.754.045	-	2.754.045
2.1.8.	Tax and fund liabilities from export commitments		15.358	-	15.358
2.1.9.	Commitments for credit card expenditure limits		17.115.833	-	17.115.833
2.1.10.	Commitments for promotions related with credit cards and banking activities		45.880	-	45.880
2.1.11.	Receivables from short sale commitments		-	-	-
2.1.12.	Payables for short sale commitments		-	-	-
2.1.13.	Other irrevocable commitments		531.794	524.601	1.056.395
2.2.	Revocable commitments		20.137.157	692.687	20.829.844
2.2.1.	Revocable loan granting commitments		20.014.047	-	20.014.047
2.2.2.	Other revocable commitments		123.110	692.687	815.797
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(5), (6)**	**73.788.855**	**120.581.639**	**194.370.494**
3.1	Derivative financial instruments for hedging purposes		22.268.172	32.261.118	54.529.290
3.1.1	Fair value hedge		5.431.066	13.715.948	19.147.014
3.1.2	Cash flow hedge		16.837.106	18.545.170	35.382.276
3.1.3	Hedge of net investment in foreign operations		-	-	-
3.2	Held for trading transactions		51.520.683	88.320.521	139.841.204
3.2.1	Forward foreign currency buy/sell transactions		4.523.196	6.139.645	10.662.841
3.2.1.1	Forward foreign currency transactions-buy		1.583.405	3.700.991	5.284.396
3.2.1.2	Forward foreign currency transactions-sell		2.939.791	2.438.654	5.378.445
3.2.2	Swap transactions related to foreign currency and interest rates		43.347.695	77.340.514	120.688.209
3.2.2.1	Foreign currency swap-buy		20.571.584	30.250.673	50.822.257
3.2.2.2	Foreign currency swap-sell		22.776.111	26.809.173	49.585.284
3.2.2.3	Interest rate swaps-buy		-	10.140.334	10.140.334
3.2.2.4	Interest rate swaps-sell		-	10.140.334	10.140.334
3.2.3	Foreign currency, interest rate and securities options		3.626.434	4.025.073	7.651.507
3.2.3.1	Foreign currency options-buy		1.485.641	2.325.582	3.811.223
3.2.3.2	Foreign currency options-sell		2.140.793	1.699.491	3.840.284
3.2.3.3	Interest rate options-buy		-	-	-
3.2.3.4	Interest rate options-sell		-	-	-
3.2.3.5	Securities options-buy		-	-	-
3.2.3.6	Securities options-sell		-	-	-
3.2.4	Foreign currency futures		23.358	186.573	209.931
3.2.4.1	Foreign currency futures-buy		23.358	81.855	105.213
3.2.4.2	Foreign currency futures-sell		-	104.718	104.718
3.2.5	Interest rate futures		-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-
3.2.6	Other		-	628.716	628.716
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**662.053.285**	**112.343.143**	**774.396.428**
IV.	**ITEMS HELD IN CUSTODY**		**56.509.094**	**3.646.425**	**60.155.519**
4.1.	Assets under management		3.489.199	2.550	3.491.749
4.2.	Investment securities held in custody		23.911.288	637.461	24.548.749
4.3.	Checks received for collection		5.005.477	482.806	5.488.283
4.4.	Commercial notes received for collection		1.228.379	220.269	1.448.648
4.5.	Other assets received for collection		-	-	-
4.6.	Assets received for public offering		-	-	-
4.7.	Other items under custody		22.874.751	2.303.339	25.178.090
4.8.	Custodians		-	-	-
V.	**PLEDGED ITEMS**		**369.611.511**	**64.199.119**	**433.810.630**
5.1.	Marketable securities		1.750.774	6.076.387	7.827.161
5.2.	Guarantee notes		338.396	110.531	448.927
5.3.	Commodity		58.875	-	58.875
5.4.	Warranty		-	-	-
5.5.	Properties		85.341.634	36.591.013	121.932.647
5.6.	Other pledged items		282.121.832	21.421.188	303.543.020
5.7.	Pledged items-depository		-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**235.932.680**	**44.497.599**	**280.430.279**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**796.010.306**	**246.453.839**	**1.042.464.145**

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

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

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Section5 Part IV	Audited 01.01 - 31.12.2018
I.	**INTEREST INCOME**	**(1)**	**17.184.574**
1.1	Interest income on loans		13.405.224
1.2	Interest income on reserve deposits		200.684
1.3	Interest income on banks		201.643
1.4	Interest income on money market transactions		38.928
1.5	Interest income on securities portfolio		2.551.730
1.5.1	Financial assets measured at FVTPL		2.252
1.5.2	Financial assets measured at FVOCI		820.642
1.5.3	Financial assets measured at amortized cost		1.728.836
1.6	Financial lease income		493.419
1.7	Other interest income		292.946
II.	**INTEREST EXPENSE (-)**	**(2)**	**9.306.793**
2.1	Interest on deposits		6.472.132
2.2	Interest on funds borrowed		1.339.723
2.3	Interest on money market transactions		430.607
2.4	Interest on securities issued		1.047.798
2.5	Other interest expenses		16.533
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**7.877.781**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**2.252.137**
4.1	Fees and commissions received		2.799.449
4.1.1	Non-cash loans		114.751
4.1.2	Others		2.684.698
4.2	Fees and commissions paid (-)		547.312
4.2.1	Non-cash loans		1.602
4.2.2	Others		545.710
V.	**PERSONNEL EXPENSES (-)**	**(7)**	**1.521.226**
VI	**DIVIDEND INCOME**	**(3)**	**5.716**
VII.	**NET TRADING INCOME/LOSS (Net)**	**(4)**	**(1.222.167)**
7.1	Trading account gain/losses		17.224
7.2	Gain/losses from derivative transactions		702.547
7.3	Foreign exchange gain/losses		(1.941.938)
VIII.	**OTHER OPERATING INCOME**	**(5)**	**75.007**
IX.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII+VIII)**		**7.467.248**
X.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**2.231.296**
XI.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**2.009.800**
XII.	**NET OPERATING PROFIT/LOSS (IX-X-XI)**		**3.226.152**
XIII.	**INCOME RESULTED FROM MERGERS**		**-**
XIV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**44.789**
XV.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**
XVI.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+…+XV)**	**(8)**	**3.270.941**
XVII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	**(9)**	**(697.736)**
17.1	Current tax charge		(802.797)
17.2	Deferred tax charge (+)		1.117.542
17.3	Deferred tax credit (-)		(1.012.481)
XVIII.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)**	**(10)**	**2.573.205**
XIX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**
19.1	Income from assets held for sale		-
19.2	Income from sale of associates, subsidiaries and joint-ventures		-
19.3	Others		-
XX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**
20.1	Expenses on assets held for sale		-
20.2	Expenses on sale of associates, subsidiaries and joint-ventures		-
20.3	Others		-
XXI.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)**		**-**
XXII.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**		**-**
22.1	Current tax charge		-
22.2	Deferred tax charge (+)		-
22.3	Deferred tax credit (-)		-
XXIII.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)**		**-**
XXIV.	**NET PROFIT/LOSS (XVIII+XXIII)**	**(11)**	**2.573.205**
24.1	Group's profit/loss		2.572.708
24.2	Minority interest		497
	Earnings Per Share		0,07680

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

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

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

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Section 5 Part IV	Audited 01.01 – 31.12.2017
I.	**INTEREST INCOME**	**(1)**	**11.404.451**
1.1	Interest income on loans		9.312.291
1.2	Interest income on reserve deposits		113.120
1.3	Interest income on banks		202.038
1.4	Interest income on money market transactions		55.716
1.5	Interest income on securities portfolio		1.241.311
1.5.1	Financial assets measured at FVTPL		5.344
1.5.2	Financial assets measured at FVOCI		1.898
1.5.3	Financial assets measured at amortized cost		617.790
1.5.4	Financial lease income		616.279
1.6	Other interest income		312.474
1.7	**INTEREST EXPENSE (-)**		167.501
II.	Interest on deposits	**(2)**	**5.588.804**
2.1	Interest on funds borrowed		4.064.811
2.2	Interest on money market transactions		771.896
2.3	Interest on securities issued		186.345
2.4	Other interest expenses		544.570
2.5	**NET INTEREST INCOME/EXPENSE (I - II)**		21.182
III.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**5.815.647**
IV.	Fees and commissions received		**1.782.588**
4.1	Non-cash loans		2.148.614
4.1.1	Others		84.629
4.1.2	Fees and commissions paid (-)		2.063.985
4.2	Non-cash loans		366.026
4.2.1	Others		1.481
4.2.2	**PERSONNEL EXPENSES (-)**		364.545
V.	**DIVIDEND INCOME**	**(3)**	**1.454**
VI.	**NET TRADING INCOME/LOSS (Net)**	**(4)**	**(1.142.488)**
6.1	Trading account gain/losses		9.307
6.2	Gain/losses from derivative transactions		(1.178.370)
6.3	Foreign exchange gain/losses		26.575
VII.	**OTHER OPERATING INCOME**	**(5)**	**140.407**
VIII.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII+VIII)**		**6.597.608**
IX.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**1.268.992**
X.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**3.125.770**
XI.	**NET OPERATING PROFIT/LOSS (IX-X-XI)**		**2.202.846**
XII.	**INCOME RESULTED FROM MERGERS**		-
XIII.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**38.531**
XIV.	**GAIN/LOSS ON NET MONETARY POSITION**		-
XV.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+…+XV)**	**(8)**	**2.241.377**
XVI.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	**(9)**	**(469.026)**
16.1	Current tax charge		(475.297)
16.2	Deferred tax charge (+)		6.271
XVII.	Deferred tax credit (-)	**(10)**	**1.772.351**
XVIII.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)**		-
18.1	**INCOME FROM DISCONTINUED OPERATIONS**		-
18.2	Income from assets held for sale		-
18.3	Income from sale of associates, subsidiaries and joint-ventures		-
XIX.	Others		-
19.1	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-
19.2	Expenses on assets held for sale		-
19.3	Expenses on sale of associates, subsidiaries and joint-ventures		-
XX.	Others	**(8)**	-
XXI.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)**	**(9)**	-
21.1	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**		-
21.2	Current tax charge		-
XXII.	Deferred tax charge (+)	**(10)**	-
XXIII.	Deferred tax credit (-)	**(11)**	**1.772.351**
23.1	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)**		1.771.786
23.2	**NET PROFIT/LOSS (XVIII+XXIII)**		565
	Group's profit/loss		0,05289

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.

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

IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

I.	**CURRENT PERIOD PROFIT/LOSS**	**2.573.205**
II.	**OTHER COMPREHENSIVE INCOME**	**(130.313)**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**38.099**
2.1.1	Revaluation Surplus on Tangible Assets	-
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	19.691
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	24.064
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(5.656)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**(168.412)**
2.2.1	Translation Differences	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(424.103)
2.2.3	Gains/losses from Cash Flow Hedges	209.669
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	46.022
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**2.442.892**

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.

		Audited 01.01 -31.12.2017
I.	**ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS**	**232.673**
II.	**TANGIBLE ASSETS REVALUATION DIFFERENCES**	**-**
III.	**INTANGIBLE ASSETS REVALUATION DIFFERENCES**	**-**
IV.	**FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS**	**-**
V.	**PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)**	**239.627**
VI.	**PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)**	**-**
VII.	**THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES**	**-**
VIII.	**OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS**	**(32.989)**
IX.	**DEFERRED TAX OF VALUATION DIFFERENCES**	**(87.095)**
X.	**TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+…+IX)**	**352.216**
XI.	**PROFIT/LOSS**	**1.772.351**
11.1	Change in fair value of marketable securities (Transfer to Profit/Loss)	5.073
11.2	Reclassification and transfer of derivatives accounted for cash flow hedge purposes recycled to Income Statement	(1.327)
11.3	Transfer of hedge of net investments in foreign operations recycled to Income Statement	-
11.4	Other	1.768.605
XII.	**TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)**	**2.124.567**

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

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

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Audited	Section 5 Part V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity Attributable to the Parent Shareholders	Non-controlling interest	Total Shareholders' Equity
	Prior period – 01.01.-30.09.2017																			
I.	**Beginning Balance**		**3.150.000**	**-**	**714**	**-**	**487.422**	**-**	**5.841.760**	**(43.654)**	**-**	**1.236.405**	**(420.153)**	**-**	**-**	**45.551**	**-**	**10.298.045**	**5.734**	**10.303.779**
	Changes in period																			
II.	**Increase/decrease related to merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable securities valuation differences**		-	-	-	-	-	-	-	-	-	-	**190.578**	-	-	-	-	**190.578**	-	**190.578**
IV.	**Hedging funds (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	**186.296**	-	**186.296**	-	**186.296**
4.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-				186.296	-	186.296	-	186.296
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Tangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Intangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus shares obtained from associates, subsidiaries and entities under common control**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Foreign exchange differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Disposal of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Reclassification of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Effect of change in associates' equity**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**Capital increase**		**200.000**	-	-	-	-	-	**(200.000)**	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		200.000	-	-	-	-	-	(200.000)	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share premium**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Inflation adjustment to paid-in capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-	-	**(24.658)**	-	-	-	-	-	-	-	**(24.658)**	**(5)**	**(24.663)**
XVII.	**Period net income/(loss)**		-	-	-	-	-	-	-	-	**1.771.786**		-	-	-	-	-	**1.771.786**	**565**	**1.772.351**
XVIII.	**Profit distribution**		-	-	-	-	**62.637**	-	**1.173.768**	-	-	**(1.236.405)**	-	-	-	-	-	-	-	-
18.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	62.637	-	1.173.768	-	-	(1.236.405)	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing balance (I+II+III+….. +XVI+XVII+XVIII)		**3.350.000**	**-**	**714**	**-**	**550.059**	**-**	**6.815.528**	**(68.312)**	**1.771.786**	**-**	**(229.575)**	**-**	**-**	**231.847**	**-**	**12.422.047**	**6.294**	**12.428.341**

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

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

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
	Audited	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others (*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
	Current Period - 01.01 – 31.12.2018																	
I.	**Balances at Beginning of Period**		3.350.000	714	-	-	-	(68.312)	21.551	-	(251.126)	231.847	7.365.587	1.771.786	-	12.422.047	6.294	12.428.341
II.	**Correction made as per TAS 8 (***)**		-	-	-	-	-	-	-	-	88.513	-	-	(256.303)	-	(167.790)	-	(167.790)
2.1	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	88.513	-	-	(256.303)	-	(167.790)	-	(167.790)
III.	**Adjusted Balances at Beginning of Period (I+II)**		3.350.000	714	-	-	-	(68.312)	21.551	-	(162.613)	231.847	7.365.587	1.515.483	-	12.254.257	6.294	12.260.551
IV.	**Total Comprehensive Income**		-	-	-	-	-	15.359	22.740	-	(333.729)	165.317	-	-	2.572.708	2.442.395	497	2.442.892
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	1.415.483	(1.515.483)	-	(100.000)	-	(100.000)
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	(100.000)	-	(100.000)	-	(100.000)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	1.415.483	(1.415.483)	-	-	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV…+X+XI)		3.350.000	714	-	-	-	(52.953)	44.291	-	(496.342)	397.164	8.781.070	-	2.572.708	14.596.652	6.791	14.603.443

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VI. CONSOLIDATED CASH FLOW STATEMENT

		Section 5 Part VI	Audited 01.01–31.12.2018
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities (+)**		**7.306.839**
1.1.1	Interest received		14.365.902
1.1.2	Interest paid		(4.784.748)
1.1.3	Dividend received		5.716
1.1.4	Fees and commissions received		2.801.282
1.1.5	Other income		75.007
1.1.6	Collections from previously written off loans		1.261.968
1.1.7	Payments to personnel and service suppliers		(2.639.452)
1.1.8	Taxes paid		(591.048)
1.1.9	Other	(1)	(3.187.788)
1.2	**Changes in operating assets and liabilities**		**(1.110.132)**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss		132.395
1.2.2	Net (increase) decrease in due from banks		182.022
1.2.3	Net (increase) decrease in loans		(7.189.232)
1.2.4	Net (increase) decrease in other assets	(1)	(3.610.949)
1.2.5	Net increase (decrease) in bank deposits		1.123.770
1.2.6	Net increase (decrease) in other deposits		7.509.231
1.2.7	Net (increase) decrease in financial liabilities measured at fair value through profit and loss		-
1.2.8	Net increase (decrease) in funds borrowed		(2.398.475)
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities	(1)	3.141.106
I.	**Net cash provided from banking operations (+/-)**		**6.196.707**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from / (used in) investing activities (+/-)**		**(2.894.114)**
2.1	Purchase of entities under common control, associates and subsidiaries		-
2.2	Sale of entities under common control, associates and subsidiaries		-
2.3	Fixed assets purchases		(225.886)
2.4	Fixed assets sales		16.297
2.5	Purchase of financial assets measured at fair value through other comprehensive income		(2.364.582)
2.6	Sale of financial assets measured at fair value through other comprehensive income		1.237.280
2.7	Purchase of Financial Assets Measured at Amortized Cost		(2.201.072)
2.8	Sale of Financial Assets Measured at Amortized Cost		837.723
2.9	Other	(1)	(193.874)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash provided from / (used in) financing activities (+/-)**		**(166.198)**
3.1	Cash obtained from funds borrowed and securities issued		3.075.596
3.2	Cash used for repayment of funds borrowed and securities issued		(3.141.794)
3.3	Capital increase		-
3.4	Dividends paid		(100.000)
3.5	Payments for finance leases		-
3.6	Other		-
IV.	**Effect of foreign currency translation differences on cash and cash equivalents (+/-)**		**(39.314)**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**	**(2)**	**3.097.081**
VI.	**Cash and cash equivalents at the beginning of the period (+)**	**(3)**	**6.087.371**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**9.184.452**

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

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

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

VI. CONSOLIDATED CASH FLOW STATEMENT

		Section 5 Part VI	Audited 01.01–31.12.2017
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities (+)**		**3.523.398**
1.1.1	Interest received (+)		10.513.324
1.1.2	Interest paid (-)		(5.301.535)
1.1.3	Dividend received (+)		1.454
1.1.4	Fees and commissions received (+)		2.126.282
1.1.5	Other income (+)		126.554
1.1.6	Collections from previously written off loans (+)		82.189
1.1.7	Payments to personnel and service suppliers (-)		(2.399.794)
1.1.8	Taxes paid (-)		(340.138)
1.1.9	Other (+/-)		(1.284.938)
1.2	**Changes in operating assets and liabilities**		**(5.658.659)**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss (+/-)		(36.175)
1.2.2	Net (increase) decrease in due from banks (+/-)		(3.218)
1.2.3	Net (increase) decrease in loans (+/-)		(2.184.513)
1.2.4	Net (increase) decrease in other assets (+/-)		(16.901.269)
1.2.5	Net increase (decrease) in bank deposits (+/-)		(2.744.136)
1.2.6	Net increase (decrease) in other deposits (+/-)		443.065
1.2.7	Net (increase) decrease in financial assets measured at fair value through other comprehensive income (+/-)		10.402.478
1.2.8	Net increase (decrease) in funds borrowed (+/-)		5.310.442
1.2.9	Net increase (decrease) in matured payables (+/-)		-
1.2.10	Net increase (decrease) in other liabilities (+/-)		54.667
I.	**Net cash provided from banking operations (+/-)**		**(2.135.261)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from / (used in) investing activities (+/-)**		**(1.788.630)**
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries (-)		-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries (+)		-
2.3	Fixed assets purchases (-)		(163.544)
2.4	Fixed assets sales (+)		19.693
2.5	Cash paid for purchase of financial assets measured at fair value through other comprehensive income (-)		(2.498.676)
2.6	Cash obtained from sale of financial assets measured at fair value through other comprehensive income (+)		1.708.781
2.7	Cash paid for purchase of Financial Assets Measured at Amortized Cost (-)		(829.915)
2.8	Cash obtained from sale of Financial Assets Measured at Amortized Cost (+)		140.075
2.9	Other (+/-)		(165.044)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash provided from / (used in) financing activities (+/-)**		**3.944.017**
3.1	Cash obtained from funds borrowed and securities issued (+)		5.123.665
3.2	Cash used for repayment of funds borrowed and securities issued (-)		(1.149.648)
3.3	Capital increase (+)		-
3.4	Dividends paid (-)		-
3.5	Payments for finance leases (-)		-
3.6	Other (+/-)		(30.000)
IV.	**Effect of foreign currency translation differences on cash and cash equivalents (+/-)**		**157.301**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**177.427**
VI.	**Cash and cash equivalents at the beginning of the period (+)**		**5.909.944**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**6.087.371**

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

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

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

VII. CONSOLIDTED PROFIT APPROPRIATION STATEMENT (*)

		Audited Current Year 31.12.2018(**)	Audited Prior Period 31.12.2017
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	CURRENT YEAR INCOME	3.058.741	2.048.965
1.2	TAXES AND DUTIES PAYABLE	648.912	445.524
1.2.1	CORPORATE TAX (INCOME TAX)	711.041	446.266
1.2.2	INCOME WITHHOLDING TAX	-	-
1.2.3	OTHER TAXES AND DUTIES	(62.129)	(742)
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**2.409.829**	**1.603.441**
1.3	PRIOR YEAR LOSSES(-)	-	-
1.4	FIRST LEGAL RESERVES(-)	-	80.172
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**2.409.829**	**1.523.269**
1.6	FIRST DIVIDEND TO SHAREHOLDERS(-)	-	100.000
1.6.1	TO OWNERS OF ORDINARY SHARES	-	100.000(**)
1.6.2	TO OWNERS OF PRIVILEGED SHARES	-	-
1.6.3	TO OWENERS OF PREFERRED SHARES	-	-
1.6.4	TO PROFIT SHARING BONDS	-	-
1.6.5	TO HOLDERS OF PROFIT AND (LOSS) SHARING CERTIFICATES	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS(-)	-	-
1.9.1	TO OWNERS OF ORDINARY SHARES	-	-
1.9.2	TO OWNERS OF PRIVILEGED SHARES	-	-
1.9.3	TO OWENERS OF PREFERRED SHARES	-	-
1.9.4	TO PROFIT SHARING BONDS	-	-
1.9.5	TO HOLDERS OF PROFIT AND (LOSS) SHARING CERTIFICATES	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUTORY RESERVES(-)	-	-
1.12	EXTRAORDINARY RESERVES	-	(1.423.269)
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS(-)	-	-
2.3.1	TO OWNERS OF ORDINARY SHARES	-	-
2.3.2	TO OWNERS OF PRIVILEGED SHARES	-	-
2.3.3	TO OWENERS OF PREFERRED SHARES	-	-
2.3.4	TO PROFIT SHARING BONDS	-	-
2.3.5	TO HOLDERS OF PROFIT AND (LOSS) SHARING CERTIFICATES	-	-
2.4	DIVIDENDS TO PERSONNEL(-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS(-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF ORDINARY SHARES	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 (%)	-	-

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

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

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

The Bank prepared the accompanying consolidated financial statements regarding to the Banking Law No.5411 "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents", dated November 1, 2006 which is published in the Official Gazette No: 26333, which refers to "Turkish Accounting Standards" ("TAS"), put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"), and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency ("BRSA") and in case where a specific regulation is not made by BRSA, the format and detail of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements".

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

Explanation for Convenience Translation to English

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

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

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

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

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

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

2.1. Changes in Accounting policies and disclosures

2.1.1. Major new and amended standards and interpretations

The Bank and its consolidated financial subsidiaries have started to apply TFRS 9 Financial

Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the accompanying consolidated financial statements starting from 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 and its consolidated financial subsidiaries.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 Bank and its consolidated financial subsidiaries have started to apply TFRS 9 standard which replaces TAS 39 Financial Instruments: Recognition and Measurement for the first time in the consolidated financial statements. TFRS 9 also includes new hedge accounting rules aiming alignment with risk management activities.

TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting provisions of TAS 39 as a policy choice. Accordingly, the Bank and its consolidated financial subsidiaries continue to apply hedge accounting in accordance with TAS 39 in this context. The Parent Bank continued to apply the provisions of TAS 39 hedge accounting. The Parent Bank has not restated the comparative information for financial instruments within the scope of TFRS 9 for the year 2017, and the transition impact on the financial statements regarding first time adoption of TFRS 9 as of 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 XXVII.

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

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

TFRS 15 Revenue from contracts with customers

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

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

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

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

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

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

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

2. Foreign currency transactions

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

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

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

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

The foreign currency position of the Parent Bank and the profit / loss from the foreign exchange transactions realized are included in the income statement of foreign exchange gains / losses and income/losses from derivative financial instruments in the income statement. While gain / loss from spot foreign exchange transactions are included in the profit / loss item of foreign exchange gain/loss on balance sheet, profit / loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income / loss statement of derivative financial instruments. Therefore, in order to determine the net profit / loss effects of foreign exchange transactions, two balances should be assessed together. As of December 31, 2018, net foreign exchange transaction income is TL 778.132 (December 31, 2017-TL 223.324 net foreign exchange transaction income) when the net interest expense amounting to TL 2.017.523 (December 31, 2017- TL 1.375.119) arising from derivative transactions is excluded from the derivative transactions income amounting to TL 702.547 (December 31, 2017- TL 1.178.370 derivative transactions loss) and foreign exchange loss amounting to TL 1.941.938 (December 31, 2017- TL 26.575 net foreign exchange income).

2.3. Foreign Associates

None.

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

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

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

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

		Consolidation Method	Place of Establishment	Subject of Operations	Effective Share of the Group (%) December 31, 2018	December 31, 2017
1.	QNB Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım)	Full consolidation	Turkey	Securities Intermediary Services	100,00	100,00
2.	QNB Finans Portföy Yönetimi A.Ş. (Finans Portföy)	Full consolidation	Turkey	Portfolio Management	100,00	100,00
3.	Hemenal Finansman A.Ş. (Tüketici Finansman)	Full consolidation	Turkey	Consumer Financing	100,00	100,00
4.	QNB Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full consolidation	Turkey	Financial Leasing	99,40	99,40
5.	QNB Finans Faktoring A.Ş. (Finans Faktoring)	Full consolidation	Turkey	Factoring Services	100,00	100,00
6.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Full consolidation	Turkey	Asset Leasing	100,00	-
6.	Cigna Finans Emeklilik ve Hayat A.Ş. (Cigna Finans Emeklilik)	Full consolidation	Turkey	Private Pension and Insurance	49,00	49,00

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

Differences between the accounting policies of subsidiaries and entities under common control and those of the Parent Bank are adjusted, if material. The financial statements of the subsidiaries and entities under common control are prepared as of December 31, 2018.

1. Subsidiaries

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

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

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

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

2. Associates and entities under common control

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

The joint venture is established locally, has its primary operations in private pension and insurance, is controlled jointly with another group with a partnership agreement, and is included in Parent Bank's capital. Subject joint venture is included in consolidated financial statements by using equity method.
Equity method is a method of accounting whereby the book value of the investor's share capital in the subsidiary or the joint venture is either added to or subtracted in proportion with investor's share from the change in the subsidiary's or joint venture's equity within the period. The method also foresees that profit will be deducted from the subsidiary's or joint venture's accordingly recalculated value.

IV. Explanations on Derivative Financial Assets and Liabilities

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

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

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

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

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

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

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

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

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

In cash flow hedge accounting:

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

Subsidiary QNB Finans Finansal Kiralama uses cash flow hedge accounting to hedge interest rate changes on floating rate borrowings and floating interest rate securities.

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

In fair value hedge accounting:

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

The Parent Bank applies fair value hedge accounting using FX swaps to hedge long term, fixed rate, foreign currency Eurobonds in financial assets measured at fair value through other comprehensive income (December 31, 2017: Available for sale) portfolio against interest rate fluctuations.

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term TL government bonds with fixed coupon payment in financial assets measured at fair value through other comprehensive income (December 31, 2017: Available for sale) portfolio using swap transactions as hedging instruments.

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

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

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

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

At each balance sheet date the Parent Bank and QNB Finans Finansal Kiralama AŞ., the subsidiary of the Parent Bank, apply effectiveness tests for fair value hedge accounting.

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

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

V. Explanations on Interest Income and Expenses

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

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

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

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

Classification of financial instruments

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

As per TFRS 9, the Parent Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. The Parent Bank tested all financial assets whether their "contractual cash-flows solely represent payments of principal and interest" and assessed the asset classification within the business model.

Assessment of business model

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

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

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

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

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

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

Other business models

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

Measurement categories of financial assets and liabilities

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

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

Financial assets at the fair value through profit or loss

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

The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

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

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

Financial Assets Measured at Amortized Cost:

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

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

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

VIII. Explanations on Expected Credit Losses:

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

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

- Delay of over 90 days
- Impairment of credit worthiness
- Collateral and / or equity of debtor is inadequate cover the payment of receivables on the maturity.
- If it is convinced that will be delayed by more than 90 days for recovery of receivables due to macroeconomic, sector-specific or customer-specific reasons.

Calculation of expected credit losses

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

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

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

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

Probability of Default ("PD")

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

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

Loss Given Default ("LGD")

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

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

Exposure at Default ("EAD")

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

Consideration of the Macroeconomic Factors

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

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

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

Calculating the Expected Loss Period

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

Significant increase in credit risk

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

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

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

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

IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of financial instruments

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

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

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

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

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

c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

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

e) Restructuring and refinancing of financial instruments

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

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

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

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

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

- 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.

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

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

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

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

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

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 6.488.226 (December 31, 2017– TL 7.631.184).

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

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

XII. Explanations on Assets Held for Sale and Discontinued Operations

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

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

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

XIII. Explanations on Goodwill and Other Intangible Assets

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

The intangible assets are recorded at their historical cost less accumulated amortization and provision for impairment, if any. Amortization is calculated on a straight-line basis. Softwares have been classified as other intangible fixed assets. The useful life of softwares is determined as 3-5 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard on Impairment of Assets (TAS 36) and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

XIV. Explanations on Tangible Assets

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

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

Properties	2%
Movables purchased and acquired under finance lease contracts	7 % – 25%

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

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

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

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

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

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

XV. Explanations on Leasing Transactions

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

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

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

XVI. Explanations on Factoring Receivables

Factoring receivables are measured at amortized cost using the effective interest rate method after deducting unearned interest income and when specific provisions for impairment are recognized.

XVII. Explanations on Provisions and Contingent Liabilities

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

XVIII. Explanations on Obligations of the Group for Employees Benefits

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

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

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

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

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

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

XIX. Explanations on Taxation

1. Corporate Tax

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

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

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

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

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

2. Deferred Taxes

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

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

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

Deferred tax effect in regards to transactions accounted for profit/loss effect in equity, is also reflected to equity.

According to TAS 12, deferred taxes and liabilities resulting from different subsidiaries subject to consolidation are not presented as net; rather they are presented separately as assets and liabilities in the financial statements.

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

3. Transfer Pricing

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

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

As discussed under subject Communique's 7.1 Annual Documentation section, taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

XX. Additional Explanations on Borrowings

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

XXI. Explanations on Share Issues

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

XXII. Explanations on Confirmed Bills of Exchange and Acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any. There are no acceptances and confirmed bills of exchange presented as liabilities against any assets.

XXIII. Explanations on Government Incentives

As of December 31, 2018, the Group does not have any governmental incentives or support (As of December 31, 2017 – None).

XXIV. Explanation on Segment Reporting

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

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

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

The Consumer Banking meets the needs and expectations of the retail banking customers. The Private Banking Unit has formed and started to operate to serve customers with high level income, in a more effective way. The installments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line.

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

The main function of Treasury Segment is managing the liquidity of the Parent Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail, SME and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Parent Bank.

Current Period (January 1 – December 31, 2018)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Group**
Net Interest Income	2.078.539	2.901.813	2.897.429	7.877.781
Net Fees and Commissions Income	1.570.507	647.526	34.104	2.252.137
Other Operating Income and Net Trading Income	46.021	176.264	(1.369.445)	(1.147.160)
Personnel Expense (-)	325.944	501.701	693.581	1.521.226
Dividend Income	-	-	5.716	5.716
Operating Income	**3.369.123**	**3.223.902**	**874.223**	**7.467.248**
Other Operating Expenses (-)	1.497.974	870.800	(358.974)	2.009.800
Expected Loss Provisions (-)	574.009	1.496.184	161.103	2.231.296
Gain / Loss on joint venture accounted for at equity method	-	-	44.789	44.789
Profit Before Taxes	**1.297.140**	**856.918**	**1.116.883**	**3.270.941**
Tax Provison (-)				**697.736**
Net Profit/Loss				**2.573.205**
Total Assets	**33.583.981**	**66.792.610**	**52.306.155**	**163.500.234**
Segment Assets	33.583.981	66.792.610	52.306.155	152.682.746
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	186.645
Undistributed Assets	-	-	-	10.630.843
Total Liabilities	**56.362.699**	**26.784.970**	**46.230.627**	**163.500.234**
Segment Liabilities	56.362.699	26.784.970	46.230.627	129.378.296
Undistributed Liabilities	-	-	-	19.518.495
Equity	-	-	-	14.603.443
Other Segment Accounts	**422.355**	**230.107**	**(87.680)**	**564.782**
Capital Expenditures	230.912	125.805	(49.869)	306.848
Depreciation and Amortization	191.443	104.302	(37.811)	257.934

Prior Period (January 1 - December 31, 2017)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Group**
Net Interest Income	1.834.670	1.937.668	2.043.309	5.815.647
Net Fees and Commissions Income	1.137.582	619.957	25.049	1.782.588
Other Operating Income and Net Trading Income	88.035	131.618	(1.221.734)	(1.002.081)
Dividend Income	-	-	1.454	1.454
Operating Income	**3.060.287**	**2.689.243**	**848.078**	**6.597.608**
Other Operating Expenses	1.625.224	1.195.497	305.049	3.125.770
Provision for Loan Losses and Other Receivables	551.721	679.289	37.982	1.268.992
Gain / Loss on joint venture accounted for at equity method	-	-	38.531	38.531
Profit Before Taxes	**883.342**	**814.457**	**543.578**	**2.241.377**
Tax Provision (-)				**469.026**
Net Profit/Loss				**1.772.351**

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

Prior Period (December 31, 2017)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Total Assets	**26.591.405**	**61.694.595**	**37.462.051**	**131.194.665**
Segment Assets	26.591.405	61.694.595	37.462.051	125.748.051
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	145.028
Undistributed Assets	-	-	-	5.301.586
Total Liabilities	**40.773.968**	**24.423.671**	**43.872.709**	**131.194.665**
Segment Liabilities	40.773.968	24.423.671	43.872.709	109.070.348
Undistributed Liabilities	-	-	-	9.695.976
Equity	-	-	-	12.428.341
Other Section Item	**261.180**	**177.829**	**50.268**	**489.277**
Capital Expenditures	121.139	82.480	29.943	233.562
Depreciation and Amortization	140.041	95.349	20.325	255.715
Change	-	-	-	-

XXV. Profit Reserves and profit distribution

The Ordinary General Assembly Meeting of the Parent Bank was held on March 29, 2018. It was decided net income from 2017 operations to be distributed as follows,

2017 Profit Distribution Table

Current Year Profit	**1.603.441**
A – First Legal Reserves (Turkish Commercial Code 519/A) 5%	(80.172)
B – First Profit share to be distributed (*)	(100.000)
C – Extraordinary Reserves	(1.423.269)

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

XXVI. Earnings Per Share

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

	Current Period	Prior Period
Group’s Net Profit for the Period	2.572.708	1.771.786
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
Earnings per Share	**0,07680**	**0,05289**

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

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

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

XXVII. Explanations on Other Matters

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

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

Financial Assets	Book Value Before TFRS 9 December 31, 2017	Reclassifications	Re-measures	TFRS 9 book value January 1, 2018	Tax Effect	Equity Effect
Measured at amortized cost						
Pre-classification balance (Held to Maturity)	7.168.664	-	-	-	-	-
Classified from Measured at Fair Value through Other Comprehensive Income	-	1.720.595	99.484	-	(21.888)	77.596
Classified as Measured at Fair Value through Other Comprehensive Income	-	(42.573)	-	-	-	-
Post-classification book value	-	-	-	8.946.170	-	-
Measured at Fair Value through Other Comprehensive Income						
Pre-classification balance (Available to Sale)	8.349.875	-	-	-	-	-
Classified as Held-to-Maturity	-	42.573	2.872	-	(632)	2.240
Classified to Held-to-Maturity	-	(1.720.595)	-	-	-	-
Post-classification book value	-	-	-	6.674.725	-	-
Expected loss provision	-	-	11.124	-	(2.447)	8.677
Loans and Other Receivables Measured at Amortized Cost (Gross)						
Pre-classification value measured at Amortized Cost (**)	85.969.070	-	-	-	-	-
Financial Assets Measured at Fair Value through Profit/Loss	10.579	-	-	-	-	-
Classified to Measured at Amortized Cost	-	10.579	-	-	-	-
Classified from Measured at Fair Value through Profit/Loss	-	(10.579)	-	-	-	-
Post-classification value measured at Amortized cost	-	-	-	85.979.649	-	-
Post-classification value Measured at Fair Value through Profit/Loss	-	-	-	-	-	-
Expected loss provision (*)	(5.113.639)	-	(653.351)	(5.766.990)	442.241	(211.110)
Faktoring Receivables						
Expected loss provision	(41.988)	-	(9.133)	(51.121)	2.009	(7.124)
Lease Receivables						
Expected loss provision	(82.091)	-	(48.805)	(130.896)	10.736	(38.069)

(*)Expected loss provision also includes amounts related to loans and receivables, other receivables and off-balance sheet financial assets, receivables of financial leasing and factoring.
(**) Receivables from financial leasing and factoring does not included.

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

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

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

	Book Value Before TFRS 9 December 31, 2017	Remeasurements	Book Value After TFRS 9 January 1, 2018
Loans	**5.019.890**	**665.385**	**5.685.275**
Stage 1	1.125.990	(100.233)	1.025.757
Stage 2	228.613	898.122	1.126.735
Stage 3	3.665.287	(132.504)	3.532.783
Financial Assets(*)	**59.270**	**(18.424)**	**40.846**
Non-Cash Loans (**)	**158.558**	**64.328**	**222.886**
Stage 1 and 2	91.845	120.072	211.917
Stage 3	66.713	(55.744)	10.969
Total	**5.237.718**	**711.289**	**5.949.007**

(*)Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets
(**) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified “General Provision” and expected credit loss for stage 3 non-cash loans is classified “Other Provisions” under liabilities. In accordance with TFRS 9, the expected loss provisions for the 1st, 2nd and 3rd stage non-cash loans are in the "Other Provisions" column in the liabilities

3. Effects on equity with TFRS 9 transition

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

The amounting to TL 711.289 difference which is an expense between the provision for impairment of the previous period of the Group and the provision for loss that is measured in accordance with TFRS 9 impairment model as of January 1, 2018 is classified as "Extraordinary Reserves" in shareholders' equity.

Deferred tax assets amounting to TL 487.589 and corporate tax loss amounting to TL 46.444 which have been cancelled due to TFRS 9 transition, have been reflected to the opening financials of January 1, 2018 and the related amount has been classified under "Extraordinary Reserves" in shareholders' equity.

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

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

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

1. Explanations and Disclosures on Financial Assets

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

a) Financial assets at fair value through profit or loss

a.1. Financial assets held for trading

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

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

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

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

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

b. Investment securities available for sale

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

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

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

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

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

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

c. Investment securities held to maturity

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

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

d. Loans and specific provisions

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

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

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

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

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

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

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

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

e. Derivative instruments

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

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

2. Explanations on Fees and Commission Income and Expenses

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

3. Explanations on Tax Implementation

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

4. Explanations on Fees and Commission Income and Expenses

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

5. Explanations on Leasing Transactions

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

6. Explanations on factoring receivables

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

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

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Consolidated Equity:

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks." As of December 31, 2018 Group's total capital has been calculated as TL 18.994.391 (December 31, 2017: TL 14.465.489), capital adequacy ratio is 14,84% (December 31, 2017: 14,49%) calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

Components of consolidated shareholders' equity items:

	Current Period December 31, 2018	Amounts subject to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.350.000	
Share issue premiums	714	
Reserves	8.781.070	
Gains recognized in equity as per TAS	111.059	
Profit	2.572.708	
Current Period Profit	2.572.708	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Minorities' Share	6.791	
Common Equity Tier 1 Capital Before Deductions	**14.822.342**	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	617.345	
Improvement costs for operating leasing	68.048	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	384.986	384.986
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	**1.070.379**	
Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption	569.032	
Total Common Equity Tier 1 Capital	**14.320.995**	

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

	Current Period December 31, 2018	Amounts subject to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**14.320.995**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	3.308.715	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.448.219	
Tier II Capital Before Deductions	**4.756.934**	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	**4.756.934**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**19.077.929**	
Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.890	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	70.648	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	

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

	Current Period December 31, 2018	Amounts subject to treatment before 1/1/2014(*)
TOTAL CAPITAL		
Total Capital	18.994.391	
Total risk weighted amounts	127.985.545	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	%11,19	
Tier 1 Capital Adequacy Ratio	%11,19	
Capital Adequacy Ratio	%14,84	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	%1,88	
a) Capital conservation buffer requirement	%0,01	
b) Bank specific counter-cyclical buffer requirement	-	
c) Systemic significant bank buffer ratio	%5,19	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	-	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	142.609	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2.938.181	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.448.219	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	3.308.715	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.478.704	

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

Components of consolidated shareholders' equity items:

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

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

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

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

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

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

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

Information on debt instruments included in the calculation of equity:

	1	2	3	4
Issuer	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital
Since 1/1/2015 10% reduction by being subject to the application	No	Yes	Yes	No
Eligible at stand-alone / consolidated	Standalone - Consolidated	Standalone - Consolidated	Standalone - Consolidated	Standalone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	1.710	142	89	1.368
Par value of instrument (Currency in million)	1.710	1.052	658	1.368
Accounting classification	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost
Original date of issuance	June 29, 2018	October 06, 2009	December 28, 2009	May 22, 2017
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	12 years	12 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends	6 months	6 months	6 months	6 months
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
Coupon rate and any related index	LIBOR + %5,30	LIBOR + %4,34	LIBOR + %4,34	LIBOR + %3,87
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-

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

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

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

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

EQUITY ITEMS	T	T-1	T-2	T-3	T-4
Common Equity	14.320.995	14.087.075	13.975.371	13.863.667	13.751.963
Transition process not implemented Common Equity	13.751.963	13.751.963	13.751.963	13.751.963	13.751.963
Tier 1 Capital	14.320.995	14.087.075	13.975.371	13.863.667	13.751.963
Transition process not implemented Tier 1 Capital	13.751.963	13.751.963	13.751.963	13.751.963	13.751.963
Total Capital	18.994.391	18.760.471	18.648.767	18.537.063	18.425.359
Transition process not implemented Equity	18.425.359	18.425.359	18.425.359	18.425.359	18.425.359
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	127.985.545	127.985.545	127.985.545	127.985.545	127.985.545
Capital Adequacy Ratio					
Common Equity Adequacy Ratio (%)	%11,19	%11,00	%10,92	%10,83	%10,74
Transition process not implemented Common Equity Ratio (%)	%10,74	%10,74	%10,74	%10,74	%10,74
Tier 1 Capital Adequacy Ratio (%)	%11,19	%11,00	%10,92	%10,83	%10,74
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	%10,74	%10,74	%10,74	%10,74	%10,74
Capital Adequacy Ratio (%)	%14,84	%14,66	%14,57	%14,48	%14,40
Transition process not implemented Capital Adequacy Ratio (%)	%14,40	%14,40	%14,40	%14,40	%14,40
LEVERAGE					
Leverage Ratio Total Risk Amount	232.458.627	232.458.627	232.458.627	232.458.627	232.458.627
Leverage(%)	%6,21	%6,21	%6,21	%6,21	%6,21
Transition process not implemented Leverage Ratio(%)	%5,92	%5,92	%5,92	%5,92	%5,92

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

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

II. Explanations on Consolidated Risk Management

1. Consolidated Credit Risk Explanations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The receivables of the Group from its top 100 cash loan customers are 24% in the total cash loans (December 31, 2017- 21%).

The receivables of the Group from its top 200 cash loan customers are 28% in the total cash loans (December 31, 2017- 24%).

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

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

The share of cash and non-cash receivables of the Group from its top 100 loan customers in total cash and non-cash loans is 24% ((December 31, 2017 26%).

The share of cash and non-cash receivables of the Group from its top 200 loan customers in total cash and non-cash loans is 29% (December 31, 2017 30%).

The Group general total provision amounted to TL 2.938.181 (December 31, 2017- TL 1.397.267).

As of December 31, 2018 Provision for probable risks in the Group’s loan portfolio amount is not included.(December 31, 2017- TL 108.450).

Exposure Categories	**Current Period Risk Amount(*)**	**Average Risk Amount(**)**	**Prior Period Risk Amount(*)**	**Average Risk Amount(**)**
Conditional and unconditional receivables from central governments and Central Banks	38.078.040	35.713.564	31.074.212	27.533.656
Conditional and unconditional receivables from regional or local governments	83.606	55.545	5.346	8.990
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	224.571	148.364	73.564	57.062
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables zfrom international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	20.686.929	20.864.541	14.663.737	13.722.546
Conditional and unconditional receivables from corporates	59.003.093	52.280.489	43.504.129	36.265.014
Conditional and unconditional receivables from retail portfolios	54.312.923	52.577.361	47.682.667	43.630.232
Conditional and unconditional receivables secured by mortgages	6.125.552	7.761.372	8.967.021	9.031.148
Past due receivables	1.434.475	1.057.568	857.390	667.622
Receivables defined in high risk category by BRSA	262.403	101.825	33.615	83.988
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-
Investment in equities	1.453.592	999.181	977.304	141.307
Other receivables	6.157.044	5.736.482	3.714.448	4.492.888

(*)Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.
(**)The average risk amount was calculated by taking the arithmetic average of the values in the monthly reports prepared in balance sheet period in regards to “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the “Regulation”).

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

Profile of significant exposures in major regions

	Exposure Categories(*)																	
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**Total**
Current Period																		
1. Domestic	38.078.040	83.606	224.571	-	-	1.954.223	58.326.878	54.291.804	6.120.065	1.433.459	229.311	-	-	-	-	1.453.592	6.157.044	168.352.593
2. European Union Countries	-	-	-	-	-	15.469.632	419.032	138	201	11	19.793	-	-	-	-	-	-	15.908.807
3. OECD Countries (**)	-	-	-	-	-	195.934	5.844	6	4.772	-	13.299	-	-	-	-	-	-	219.855
4. Offshore Banking Areas	-	-	-	-	-	366.208	70.123	8	60	-	-	-	-	-	-	-	-	436.399
5. USA, Canada	-	-	-	-	-	920.245	23.312	164	83	-	-	-	-	-	-	-	-	943.804
6. Other Countries	-	-	-	-	-	1.780.687	157.904	20.803	371	1.005	-	-	-	-	-	-	-	1.960.770
7. Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**38.078.040**	**83.606**	**224.571**	**-**	**-**	**20.686.929**	**59.003.093**	**54.312.923**	**6.125.552**	**1.434.475**	**262.403**	**-**	**-**	**-**	**-**	**1.453.592**	**6.157.044**	**187.822.228**

	Exposure Categories(*)																	
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**Total**
Prior Period																		
1. Domestic	31.074.212	5.346	73.564	-	-	3.000.282	43.006.084	47.671.535	8.966.010	857.338	31.747	-	-	-	-	75.802	3.714.448	138.476.368
2. European Union Countries	-	-	-	-	-	9.049.853	280.878	913	367	-	1.868	-	-	-	-	-	-	9.333.879
3. OECD Countries (**)	-	-	-	-	-	68.205	12.624	6	-	-	-	-	-	-	-	-	-	80.835
4. Offshore Banking Areas	-	-	-	-	-	24.388	73.355	23	82	-	-	-	-	-	-	-	-	97.848
5. USA, Canada	-	-	-	-	-	474.340	9.517	215	105	-	-	-	-	-	-	-	-	484.177
6. Other Countries	-	-	-	-	-	2.046.669	121.671	9.975	457	52	-	-	-	-	-	-	-	2.178.824
7. Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	901.502	-	901.502
8.Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**31.074.212**	**5.346**	**73.564**	**-**	**-**	**14.663.737**	**43.504.129**	**47.682.667**	**8.967.021**	**857.390**	**33.615**	**-**	**-**	**-**	**-**	**977.304**	**3.714.448**	**151.553.433**

(*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". Prior to the Credit Risk Reduction, the risk amounts after the credit conversion rate are given.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that cannot be allocated on a consistent basis

1- Conditional and unconditional receivables from central governments and Central Banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
4- Conditional and unconditional receivables from multilateral development banks
5- Conditional and unconditional receivables from international organizations
6- Conditional and unconditional receivables from banks and brokerage houses
7- Conditional and unconditional receivables from corporates
8- Conditional and unconditional receivables from retail portfolios
9- Conditional and unconditional receivables secured by mortgages
10- Past due receivables
11- Receivables defined under high risk category by BRSA
12- Securities collateralized by mortgages
13- Securitization positions
14- Short-term receivables from banks, brokerage houses and corporates
15- Investments similar to collective investment Funds
16-Investment in equities
17- Other receivables

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

Risk Profile regarding Sectors or Counter Parties:

Current Period	Exposure Categories(*)																		
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TP**	**YP**	**Toplam**
Agriculture	-	-	61.801	-	-	-	460.565	2.127.318	15.333	97.647	12.736	-	-	-	-	-	-	2.521.537	253.863	2.775.400
Farming and Raising Livestock	-	-	61.801	-	-	-	278.891	2.090.922	13.518	96.831	12.736	-	-	-	-	-	-	2.489.393	65.306	2.554.699
Forestry	-	-	-	-	-	-	773	5.772	203	247	-	-	-	-	-	-	-	6.995	0	6.995
Fishing	-	-	-	-	-	-	180.901	30.624	1.612	569	-	-	-	-	-	-	-	25.149	188.557	213.706
Industrial	-	31.103	-	-	-	-	21.022.167	4.960.422	513.072	270.651	68.496	-	-	-	-	-	-	9.504.691	17.361.220	26.865.911
Mining and Quarrying	-	-	-	-	-	-	284.009	125.528	2.016	2.868	208	-	-	-	-	-	-	246.180	168.449	414.629
Production	-	-	-	-	-	-	16.206.277	4.737.728	508.488	267.558	68.288	-	-	-	-	-	-	8.761.539	13.026.800	21.788.339
Electricity, Gas, Water	-	31.103	-	-	-	-	4.531.881	97.166	2.568	225	-	-	-	-	-	-	-	496.972	4.165.971	4.662.943
Construction	-	-	-	-	-	-	4.709.265	3.197.566	579.307	202.045	51.739	-	-	-	-	-	-	6.365.552	2.374.370	8.739.922
Services	16.812.956	33	25.671	-	-	18.993.678	29.213.841	11.678.458	1.729.974	555.857	98.275	-	-	-	-	-	-	28.201.910	50.906.833	79.108.743
Wholesale and Retail Trade	-	-	7.882	-	-	-	6.834.589	9.249.831	486.481	425.492	44.178	-	-	-	-	-	-	13.597.705	3.450.748	17.048.453
Hotel, Food and Beverage	-	-	-	-	-	-	2.623.888	269.690	89.174	33.326	1.074	-	-	-	-	-	-	530.414	2.486.738	3.017.152
Transportation and Communication	-	-	-	-	-	-	9.903.503	788.568	27.397	43.253	4.703	-	-	-	-	-	-	1.208.112	9.559.312	10.767.424
Financial Institutions	16.812.956	33	-	-	-	18.993.678	492.925	76.049	235	782	257	-	-	-	-	-	-	10.429.241	25.947.674	36.376.915
Real Estate and Rent Services	-	-	-	-	-	-	5.354.281	246.984	1.000.699	8.511	2.608	-	-	-	-	-	-	402.308	6.210.775	6.613.083
Self-Employment Services	-	-	17.630	-	-	-	1.100.170	517.229	20.410	27.456	1.075	-	-	-	-	-	-	934.188	749.782	1.683.970
Educational Services	-	-	114	-	-	-	172.008	199.132	18.386	6.797	1	-	-	-	-	-	-	359.552	36.886	396.438
Health and Social Services	-	-	45	-	-	-	2.732.477	330.975	87.192	10.240	44.379	-	-	-	-	-	-	740.390	2.464.918	3.205.308
Other	21.265.084	52.470	137.099	-	-	1.693.251	3.597.255	32.349.159	3.287.866	308.275	31.157	-	-	-	-	1.453.592	6.157.044	58.913.933	11.418.319	70.332.252
Total	**38.078.040**	**83.606**	**224.571**	**-**	**-**	**20.686.929**	**59.003.093**	**54.312.923**	**6.125.552**	**1.434.475**	**262.403**	**-**	**-**	**-**	**-**	**1.453.592**	**6.157.044**	**105.507.623**	**82.314.605**	**187.822.228**

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

1- Conditional and unconditional receivables from central governments and Central Banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
4- Conditional and unconditional receivables from multilateral development banks
5- Conditional and unconditional receivables from international organizations
6- Conditional and unconditional receivables from banks and brokerage houses
7- Conditional and unconditional receivables from corporates
8- Conditional and unconditional receivables from retail portfolios
9- Conditional and unconditional receivables secured by mortgages
10- Past due receivables
11- Receivables defined under high risk category by BRSA
12- Securities collateralized by mortgages
13- Securitization positions
14- Short-term receivables from banks, brokerage houses and corporates
15- Investments similar to collective investment Funds
16-Investment in equities
17- Other receivables

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

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

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

1- Conditional and unconditional receivables from central governments and Central Banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
4- Conditional and unconditional receivables from multilateral development banks
5- Conditional and unconditional receivables from international organizations
6- Conditional and unconditional receivables from banks and brokerage houses
7- Conditional and unconditional receivables from corporates
8- Conditional and unconditional receivables from retail portfolios
9- Conditional and unconditional receivables secured by mortgages
10- Past due receivables
11- Receivables defined under high risk category by BRSA
12- Securities collateralized by mortgages
13- Securitization positions
14- Short-term receivables from banks, brokerage houses and corporates
15- Investments similar to collective investment Funds
16-Investment in equities
17- Other receivables

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

Analysis of maturity-bearing exposures according to remaining maturities (*):

Current Period Exposure Categories	Term To Maturity				
	Up to 1 month	1-3 month	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	6.925	327.787	85.667	550.871	19.233.346
Conditional and unconditional receivables from regional or local governments	351	-	-	-	83.223
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	4.151	12.078	17.451	65.711	117.529
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	3.403.568	1.964.541	1.075.538	160.053	2.881.595
Conditional and unconditional receivables from corporates	5.998.435	3.316.346	5.091.850	5.749.882	34.261.138
Conditional and unconditional receivables from retail portfolios	2.467.171	3.649.464	4.426.461	5.945.606	24.421.809
Conditional and unconditional receivables secured by mortgages	35.456	136.032	216.477	474.653	5.194.971
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	75	182	263	0	631
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-	-
Investment in equities	153.171	-	-	-	-
Other receivables	-	-	-	-	-
General Total	**12.069.303**	**9.406.430**	**10.913.707**	**12.946.776**	**86.194.242**

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

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

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

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

Exposures by risk weights:

Current Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	32.048.718		4.584.430	-	15.797.520	58.485.267	76.643.890	262.403	-	-	536.572
2. Exposures After Credit Risk Mitigation	39.069.379		2.233.052	3.540.454	10.376.464	47.969.147	71.796.329	262.300	-	-	536.572

Prior Period

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

Information by major sectors and type of counterparties:

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

Current Period	Loans(*)			Provisions	
Major Sectors / Counterparties	Impaired Loans (TFRS 9) Significant Increase of Credit Risk (Stage 2)	Impaired Loans (TFRS 9) Default (Stage 3)	Default (Stage 3) Non-Performing (Regulation of Provision)	Non-Performing (Regulation of Provision)	(Regulation of Provision)
1. Agriculture	**466.738**	**244.601**	-	**186.634**	-
1.1. Farming and Livestock	460.859	226.016	-	173.435	-
1.2. Forestation	146	15.863	-	10.547	-
1.3. Fishing	5.733	2.722	-	2.652	-
2. Industrial	**1.366.804**	**1.021.925**	-	**1.241.285**	-
2.1. Mining and Quarrying	41.140	33.647	-	19.692	-
2.2. Manufacturing Industry	1.025.218	986.729	-	918.807	-
2.3. Electricity, Gas, Water	300.446	1.549	-	302.786	-
3. Construction	**1.191.113**	**600.556**	-	**534.792**	-
4. Services	**3.729.743**	**2.094.249**	-	**2.182.025**	-
4.1. Wholesale and Retail Commerce	1.427.349	1.522.146	-	1.320.919	-
4.2. Hotel and Restaurant Services	537.407	189.754	-	237.455	-
4.3. Transportation and Communication	306.748	128.684	-	132.138	-
4.4. Financial Corporations	754.402	23.431	-	211.795	-
4.5. Real Estate and Loan Services	69.278	25.613	-	30.993	-
4.6. Independent Business Services	463.981	75.901	-	144.965	-
4.7. Education Services	88.722	35.161	-	43.381	-
4.8. Health and Social Services	81.856	93.559	-	60.379	-
5. Other	**3.176.208**	**2.652.932**	-	**2.484.568**	-
6. Total	**9.930.606**	**6.614.263**	-	**6.629.304**	-

(*) Represents the distribution of cash loans.

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

(*) Represents the distribution of cash loans.

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

Movements in value adjustments and provisions

Current Period	Opening Balance	TFRS 9 Transation Effect	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Special Provisions	3.540.714	(132.504)	2.031.749	(354.211)	(148.576)	4.937.172
2. General Provisions	1.397.267	899.537	641.377	-	-	2.938.181

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

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

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

Exposures subject to countercyclical capital buffer:

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

Exposures subject to countercyclical capital buffer:

Current Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	103.785.665	-	103.785.665
Malta	405.321	-	405.321
Other	48.649	-	48.649
Total	**104.239.635**	**-**	**104.239.635**

Prior Period

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

2. Risk Management and General Disclosures regarding Risk Weighted Amounts

2.1. GBA – Risk Management Approach of the Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Key elements and scope of Risk Measurement Systems

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

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

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

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

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

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

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

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

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

Reports are prepared daily and indicatively include the following:

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

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

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

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

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

Market Risk Management defines the stress test approaches as below:

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

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

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

Forecasts related to effectiveness of credit risk mitigation methods and collection ability of the Group associated with miscellaneous collateral types are stated with consideration ratios on the basis of collaterals. The aforementioned ratios are determined based on long term historical observations of the Group and judgement of expert business units and most importantly with precautionary principle.
It is also possible to mention that a similar precautionary level is reflected to "Communique on Credit Risk Mitigation Techniques" over conditions and legal haircut ratios required to consider collaterals as risk mitigating element. However, the Group only considers cash and cash equivalent collaterals during the calculation of capital adequacy. Consideration types of cash and cash equivalent collaterals are relatively simple and values of such collaterals reflects current market prices as of reporting dates.
Operational requirements has been increased in order to consider such collaterals as well as Basel II with respect to risk weighted applications of credits secured with commercial and residential immovable property mortgage.

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

2.2. Overview of RWA

		Risk Weighted Assets		Minimum Capital Requirements	
		31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
1	Credit risk (excluding counterparty credit risk)	112.159.311	86.699.271	8.972.745	6.935.942
2	Standardised approach	112.159.311	86.699.271	8.972.745	6.935.942
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	3.698.238	1.903.324	295.859	152.266
5	Standardised approach for counterparty credit risk	3.698.238	1.903.324	295.859	152.266
6	Internal model method	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-	-
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitisation exposures in banking accounts	-	-	-	-
13	IRB ratings-based approach	-	-	-	-
14	IRB Supervisory Formula Approach	-	-	-	-
15	SA/simplified supervisory formula approach	-	-	-	-
16	Market risk	1.654.488	2.016.388	132.359	161.311
17	Standardised approach	1.654.488	2.016.388	132.359	161.311
18	Internal model approaches	-	-	-	-
19	Operational risk	10.473.508	9.225.591	837.881	738.047
20	Basic Indicator Approach	10.473.508	9.225.591	837.881	738.047
21	Standardised Approach	-	-	-	-
22	Advanced Measurement Approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24	Floor adjustment	-	-	-	-
25	**TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)**	**127.985.545**	**99.844.574**	**10.238.844**	**7.987.566**

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

3. Linkages between financial statements and risk amounts

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

			Carrying values of items in accodance with TAS			
Current period **Assets**	**Carrying values in financial statements prepared as per TAS (*)**	**Carrying values of items in accordance with TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitization framework**	**Subject to market risk**
Cash and balances with the Central Bank	18.511.052	18.474.302	18.511.442	-	-	-
Trading Financial Assets	5.555.057	5.509.319	-	5.429.815	5.143.778	-
Financial Assets at Fair Value Through Profit or Loss	45.739	45.739	-	-	45.739	-
Banks	3.371.612	1.241.611	1.242.052	-	-	-
Money Market Placements	509.711	509.706	409.641	100.070	-	-
Financial Assets Available-for-Sale (net)	8.451.754	8.445.773	8.445.773	2.814.590	-	-
Loans and Receivables	93.421.786	94.315.488	97.002.606	-	-	83.538
Factoring Receivables	1.208.884	973.004	973.004	-	-	-
Held-to-maturity investments (net)	12.932.193	12.895.116	12.932.193	3.673.636	-	-
Investment in Associates (net)	-	5.982	5.982	-	-	-
Investment in Subsidiaries (net)	-	38.054	38.054	-	-	-
Investment in Joint ventures (net)	158.380	142.609	142.609	-	-	-
Lease Receivables	5.521.076	5.088.099	5.088.099	-	-	-
Derivative Financial Assets Held For Hedging	6.892.010	6.892.010	-	6.892.010	-	-
Property And Equipment (Net)	2.893.451	2.869.000	2.800.904	-	-	68.048
Intangible Assets (Net)	433.889	411.200	26.215	-	-	384.986
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	613.768	695.082	695.082	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	2.626.163	4.948.140	4.950.148	-	-	-
TOTAL ASSETS	**163.146.525**	**163.500.234**	**153.263.804**	**18.910.121**	**5.189.517**	**536.572**
Liabilities						
Deposits	86.830.777	86.826.216	-	-	-	86.830.777
Derivative Financial Liabilities Held for Trading	5.733.001	5.733.001	-	-	4.914.056	5.733.001
Funds Borrowed	20.556.269	20.552.233	-	-	-	20.556.269
Money Markets	11.454.733	5.333.672	-	4.714.819	-	11.454.733
Marketable Securities Issued	11.791.532	11.850.077	-	-	-	11.791.532
Funds	-	-	-	-	-	-
Miscellaneous Payables	3.220.042	9.350.487	-	-	-	3.220.042
Other Liabilities	2.730.881	2.731.892	-	-	-	2.730.881
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	717.188	717.188	-	-	-	717.188
Provisions	513.631	826.061	-	-	-	513.631
Tax Liability	152.990	159.866	-	-	-	152.990
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	4.816.098	4.816.098	-	-	-	4.816.098
Shareholder's Equity	14.629.383	14.603.443	-	-	-	14.629.383
TOTAL LIABILITIES	**163.146.525**	**163.500.234**	**-**	**4.714.819**	**4.914.056**	**163.146.525**

(*)Derivative financial assets for trading purposes and derivative financial assets for hedging purposes are included in the derivative financial assets item in the financial statements.

(**)Derivative financial liabilities for trading and derivative financial instruments for hedging purposes are presented in the derivative financial liabilities item in the financial statements.

(***)Miscellaneous payables and other liabilities are presented under other liabilities in the financial statements.

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

Perior period			Carrying values of items in accordance of with TAS			
Assets	**Carrying values in financial statements prepared as per TAS**	**Carrying values of items in accordance with TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitization framework**	**Subject to market risk**
Cash and balances with the Central Bank	15.882.276	15.882.272	15.882.272	-	-	-
Trading Financial Assets	2.590.968	2.593.531	-	2.512.246	2.052.237	-
Financial Assets at Fair Value Through Profit or Loss	10.579	10.579	10.579	-	-	-
Banks	1.660.909	1.299.772	1.299.772	-	-	-
Money Market Placements	241.859	241.859	241.859	-	-	-
Financial Assets Available-for-Sale (net)	8.353.636	8.349.875	8.349.875	4.368.350	-	-
Loans and Receivables	82.102.918	82.428.356	82.397.009	-	-	31.347
Factoring Receivables	1.385.979	1.381.002	1.381.002	-	-	-
Held-to-maturity investments (net)	7.168.664	7.168.664	7.168.664	3.248.559	-	-
Investment in Associates (net)	-	3.766	3.766	-	-	-
Investment in Subsidiaries (net)	-	18.054	18.054	-	-	-
Investment in Joint ventures (net)	135.381	123.208	123.208	-	-	-
Lease Receivables	4.473.945	4.466.063	4.466.063	-	-	-
Derivative Financial Assets Held For Hedging	2.938.126	2.938.126	-	2.938.126	-	-
Property And Equipment (Net)	1.965.564	1.942.793	1.872.768	-	-	70.025
Intangible Assets (Net)	339.074	338.761	-	-	-	338.761
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	35.326	47.075	47.075	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	1.499.727	1.960.909	1.960.909	-	-	-
TOTAL ASSETS	**130.784.931**	**131.194.665**	**125.222.875**	**13.067.281**	**2.052.237**	**440.113**
Liabilities						
Deposits	70.527.115	67.543.375	-	-	-	70.527.115
Derivative Financial Liabilities Held for Trading	2.077.648	2.070.244	-	-	1.794.720	282.928
Funds Borrowed	18.234.216	18.012.026	-	-	-	18.234.216
Money Markets	6.912.860	6.999.767	-	6.504.096	-	408.764
Marketable Securities Issued	10.360.066	10.398.025	-	-	-	10.360.066
Funds	-	-	-	-	-	-
Miscellaneous Payables	3.303.457	6.215.411	-	-	-	3.303.457
Other Liabilities	921.764	919.272	-	-	-	921.764
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	536.074	536.074	-	-	-	536.074
Provisions	337.095	2.092.983	-	-	-	337.095
Tax Liability	413.018	468.310	-	-	-	413.018
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	3.510.837	3.510.837	-	-	-	3.510.837
Shareholder’s Equity	13.650.780	12.428.341	-	-	-	13.650.780
TOTAL LIABILITIES	**130.784.931**	**131.194.665**	**-**	**6.504.096**	**1.794.720**	**122.486.115**

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

3.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Current Period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	177.363.442	153.263.804	-	18.910.121	5.189.517
2	Liabilities carrying value amount under regulatory scope of consolidation	9.628.875	-	-	4.714.819	4.914.056
3	Total net amount under regulatory scope of consolidation	167.734.567	153.263.804	-	14.195.302	275.461
4	Off-Balance Sheet Amounts	91.329.278	18.485.121	-	-	-
5	Differences due to different netting rules (except 2)	1.379.027	-	-	-	1.379.027
6	Repo transactions	69.905	-	-	69.905	-
7	Decrease in counterparty credit risk as a result of netting	-	-	-	-	-
8	Potential credit risk amount calculated for the counterparty	1.506.135	-	-	1.506.135	-
9	Differences due to credit risk reduction	(12.273.141)	(2.191.669)	-	(10.081.472)	-
	Risk Amounts	**-**	**169.557.256**	**-**	**5.689.870**	**1.654.488**

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

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

a) None.

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

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

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

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

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

Value at market risk of the Bank is reached through the determination of amounts related to market risk in scope of Basel 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 in ensured through the recording and management of prices to Bank systems by back office. In addition, the pricing and valuation systems in question are also reviewed and validated by Validation Unit. Details belonging to aforementioned valuation and accounting are strictly documented and monitored by Treasury Control Unit.

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

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

4. Credit Risk Disclosures

4.1. General Information on Credit Risk

4.1.1. CRD – General Qualitative Information on Credit Risk

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

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

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

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

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

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

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

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

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

Main responsibilities of Credit Risk Management Department are as follows:

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

- To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Group,
- To make periodic stress tests and scenario analysis and establish early warning systems,
- To support decision-making processes of the Group through providing reviews and risk point of view with respect to risk management,
- To develop application and behavior score cards which are used in order to manage credit portfolio and processes in a correct and effective manner and forming main source for DR models,
- To promote risk awareness and management culture at group level.
- To develop of forecasting models/approaches and the measurement monitoring of portfolio credit risk through Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD).
- Implementation of risk based Credit Classification and Expected Credit Loss calculations under TFRS 9, determination of credit risk measurement framework, development and implementation of relevant models / approaches.

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

Risk governance model includes three lines of defense consisting of:

- The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return.
- Risk Management Unit, at the second level, identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, provides coordination and assistance; measures risk adjusted performance across the business lines; reports to appropriate levels and proposes mitigation measures, being supported by business lines, where the risk is actually created, and specialized units.
- 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 Operational Risk. Report mainly consists of the following; changes in risk parameters, changes in exposures of segments, concentration and risk metrics, stress testing and results, delinquency amounts and ratios by segments, Stage 3 and Stage 2 rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings.

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

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

4.2. CR1 Credit quality of assets

		Gross carrying values of as per TAS			
	Current Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net value**
1	Loans	6.614.263	95.409.053	4.937.172	**97.086.144**
2	Debt Securities	-	21.259.795	-	**21.259.795**
3	Off-balance sheet exposures	-	60.332.135	50.116	**60.282.019**
4	**Total**	**6.614.263**	**177.000.983**	**4.987.288**	**178.627.958**

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

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

		Current Period	**Prior Period**
1	Defaulted loans and debt securities at end of the previous reporting period	4.344.169	3.874.148
2	Loans and debt securities that have defaulted since the last reporting period	3.691.472	2.162.047
3	Returned to non-defaulted status	-	-
4	Amounts written off(*)	148.576	752.070(*)
5	Other changes(**)	1.272.802	939.956
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	**6.614.263**	**4.344.169**

(*) The sale of legal follow up loans receivable amount is not included in current period (December 31, 2017 - 745.739 TL).
(**)Includes collections from credits in default.

4.4. KRB – Additional disclosures related to credit quality of assets:

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

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

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

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

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

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

Exposures provisioned against by major regions:

Country	Current Period	Prior Period
Domestic	94.878.795	81.194.085
European Union (EU) Countries	426.822	288.469
USA, Canada	22.376	9.352
OECD Countries	3	42
Off-Shore Banking	19.973	30.608
Other Countries	61.084	112.924
Total	**95.409.053**	**81.635.480**

Exposures provisioned against by major sectors:

	Current Period	Prior Period
1. Agricultural	**2.538.528**	**2.556.845**
1.1. Farming and raising livestock	2.337.407	2.413.925
1.2. Forestry	5.629	6.145
1.3. Fishing	195.492	136.775
2. Manufacturing	**16.371.069**	**13.655.657**
2.1. Mining and Quarrying	283.274	274.415
2.2. Production	12.360.435	10.584.536
2.3. Electricity, Gas, Water	3.727.360	2.796.706
3. Construction	**5.853.595**	**7.484.389**
4. Services	**38.883.648**	**29.843.379**
4.1 Wholesale and retail trade	14.396.553	14.308.792
4.2 Hotel, food and beverage services	3.434.383	2.632.932
4.3 Transportation and telecommunication	9.215.542	5.162.942
4.4 Financial institutions	6.935.904	3.964.670
4.5 Real estate and leasing services	350.168	350.288
4.6 Self-employment services	1.535.335	1.285.693
4.7 Education services	375.746	358.867
4.8 Health and social services	2.640.017	1.779.195
4. Services	**31.762.213**	**28.095.210**
6. Total	**95.409.053**	**81.635.480**

Breakdown of Exposures according to remaining maturity:

Current Period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables(*)	-	19.082.854	8.821.945	25.695.002	33.047.314	12.052.385	98.699.500

Prior Period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables	-	15.318.747	5.936.408	23.198.496	28.583.031	8.598.798	81.635.480

(*) The related provisions have been deducted from current period balances.

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

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

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

Current Period	Loans subject to provision	Provision	Written-off from Assets
Turkey	6.583.887	4.920.107	148.576
EU Countries	16.192	2.882	-
USD, Canada	-	-	-
OECD Countries(*)	-	-	-
Off-shore Banking Regions	14.164	14.164	-
Other Countries	20	19	-
Total	**6.614.263**	**4.937.172**	**148.576**

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

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

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

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

	Current Period			Prior Period		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	**232.767**	**127.548**	**3.506**	**116.510**	**74.754**	**13.427**
1.1. Farming and Raising Livestock	226.015	124.980	942	114.832	73.471	12.924
1.2. Forestry	4.029	364	2.564	249	103	41
1.3. Fishing	2.723	2.204	-	1.429	1.180	462
2. Industrial	**1.020.225**	**731.227**	**9.336**	**590.448**	**483.006**	**114.994**
2.1. Mining and Quarrying	35.134	12.635	385	6.482	5.664	1852
2.2. Production	983.541	717.292	8.951	583.664	477.041	111.937
2.3. Electricity, Gas, Water	1.550	1.300	-	302	301	1205
3. Construction	**600.556**	**334.249**	**11.914**	**276.981**	**220.869**	**66.954**
4. Services	**2.097.159**	**1.494.099**	**110.947**	**1.340.142**	**1.011.352**	**198.291**
4.1. Wholesale and Retail Trade	1.522.146	1.118.022	4.066	1.024.853	775.398	183.318
4.2. Hotel, Food and Beverage Services	189.527	130.341	8	132.312	95.247	4.075
4.3. Transportation and Communication	129.021	88.299	106.320	65.326	47.973	6.106
4.4. Financial Institutions	23.431	18.199	-	18.750	14.939	503
4.5. Real Estate and Renting Services	25.614	15.532	8	14.732	7.348	100
4.6. Self-Employment Services	75.901	55.286	-	40.161	31.450	3.284
4.7. Educational Services	35.161	28.684	-	20.643	18.788	53
4.8. Health and Social Services	96.358	39.736	545	23.365	20.209	852
5. Other	**2.663.556**	**2.250.049**	**12.873**	**2.020.088**	**1.750.733**	**358.404**
6. Total	**6.614.263**	**4.937.172**	**148.576**	**4.344.169**	**3.540.714**	**752.070**

g) Aging Analysis

Overdue days	Current Period	Prior Period
0-30	92.826.649	79.862.234
31-60	1.642.321	1.011.133
61-90	940.083	762.113
90+	6.614.263	4.344.169
Total	**102.023.316**	**85.979.649**

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

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

Current Period	Standard Loans	Loans Under Close Monitoring	Non- Performing Loan
Provisions	-	-	91.417
None Reserved(*)	1.127.050	4.297.570	-
Total	**1.127.050**	**4.297.570**	**91.417**

(*)The expected credit loss is reserved for the related loans.

Prior Period	Standard Loans	Loans Under Close Monitoring	Non- Performing Loan
Provisions	-	-	60.081
None Reserved(*)	1.919.035	1.727.638	-
Total	**1.919.035**	**1.727.638**	**60.081**

5. Credit Risk Mitigation

5.1. CRM - Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

Insurance policies of the collaterals should be obtained.

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

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

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

5.2. CR3 – Credit risk mitigation techniques – Overview

	Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	93.637.957	3.448.187	1.866.508	-	-	-	-
2	Debt securities	21.259.795	-	-	-	-	-	-
3	**Total**	**114.897.752**	**3.448.187**	**1.866.508**	**-**	**-**	**-**	**-**
4	Of which defaulted	1.649.864	27.227	2.282	-	-	-	-

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

6. Credit risk when standard approach is used

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

a) Marks of Fitch credit rating institution are used in credit risk standard approach calculations.

		Exposure Categories			
			Exposures to Banks and Brokerage Houses		
Credit Quality Step	Fitch Ratings Credit	Exposures to Central Governments or Central Banks	Exposures with Original Maturities Less Than 3 Months	Exposures with Original Maturities More Than 3 Months	Exposures to Corporates
1	AAA AA+ AA AA-	%0	%20	%20	%20
2	A+ A A-	%20	%20	%50	%50
3	BBB+ BBB BBB-	%50	%20	%50	%100
4	BB+ BB BB-	%100	%50	%100	%100
5	B+ B B-	%100	%50	%100	%150
6	CCC+ CCC CCC- CC C D	%150	%150	%150	%150
Gradeless	Gradeless	%100	%20 (1)	%50 (1)	%100

b) Centralized administrations and Banks take CRA marks into account for risk classes.

c) Mark assigned to a debtor is taken into account for all assets of the debtor.

d) CRA, which is not included in twinning table of the institution, is not used.

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

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

	Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	38.071.115	-	45.091.776	-	7.760.540	17%
2	Exposures to regional governments or local authorities	83.573	65	83.573	-	41.787	50%
3	Exposures to public sector entities	204.471	45.137	141.586	19.883	161.468	100%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to institutions	3.927.326	1.899.230	3.859.872	1.403.725	2.804.553	53%
7	Exposures to corporates	44.496.898	27.481.706	41.907.794	13.660.450	55.568.244	100%
8	Retail exposures	51.160.971	61.060.073	44.995.527	2.962.917	35.968.832	75%
9	Exposures secured by residential property	3.529.985	385.722	3.529.986	10.468	1.239.159	35%
10	Exposures secured by commercial real estate	2.483.102	171.553	2.483.102	101.996	1.292.549	50%
11	Past-due loans	1.434.475	-	1.432.296	-	1.050.259	73%
12	Higher-risk categories by the Agency Board	261.252	6.044	261.149	520	392.503	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	0%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
16	Other assets	6.157.044	279.748	6.157.044	-	4.425.825	72%
17	Investments in equities	1.453.592	-	1.453.592	-	1.453.592	100%
18	**Total**	**153.263.804**	**91.329.278**	**151.397.297**	**18.159.959**	**112.159.311**	**66%**

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

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

6.3. CR5 – Standardised approach – exposures by asset classes and risk weights:

Current Period

	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Diğerleri	Total Credit Risk Exposure Amount (*)
1	Exposures to central governments or central banks	37.331.236	-	-	-	-	-	7.760.540	-	-	45.091.776
2	Exposures to regional governments or local authorities	-	-	-	-	83.573	-	-	-	-	83.573
3	Exposures to public sector entities	-	-	-	-	-	-	161.469	-	-	161.469
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1.211.615	-	2.979.504	-	1.072.478	-	-	5.263.597
7	Exposures to corporates	-	-	-	-	-	-	55.568.244	-	-	55.568.244
8	Retail exposures	-	-	-	-	-	47.958.444	-	-	-	47.958.444
9	Exposures secured by residential property	-	-	-	3.540.454	-	-	-	-	-	3.540.454
10	Exposures secured by commercial real estate	-	-	-	-	2.585.098	-	-	-	-	2.585.098
11	Past-due loans	-	-	-	-	764.075	-	668.221	-	-	1.432.296
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	261.669	-	261.669
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	1.453.592	-	-	1.453.592
17	Other Assetd	1.731.218	-	2	-	-	-	4.425.824	-	-	6.157.044
18	**Total**	**39.062.454**	**-**	**1.211.617**	**3.540.454**	**6.412.250**	**47.958.444**	**71.110.368**	**261.669**	**-**	**169.557.256**

Prior Period

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

7. Disclosures regarding counterparty credit risk

7.1. Qualitative disclosures regarding DCCR – CCR table:

a) Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. CCR causes credit risk for banks carrying out money and capital market transactions. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope.
The most significant part of CCR in the Bank is sourced from derivative financial instruments. Derivative transactions are made with financial institutions, individual and commercial customers for the purposes of trading, management of interest risk of banking accounts and meeting customer demands.

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

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

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

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

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

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

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

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

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

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

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

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	8.021.683	1.506.135	-	1,4	3.944.732	2.258.470
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	1.745.138	622.861
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	**Total**	**-**	**-**	**-**	**-**	**-**	**2.881.331**

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

7.3. CCR2 – Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
		Current Period	**Prior Period**	**Current Period**	**Prior Period**
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (3*multiplier included)	-	-	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3	Total portfolio value with simplified approach CVA capital adequacy	3.944.732	2.153.506	816.907	320.142
4	**Total amount of CVA capital adequacy**	**3.944.732**	**2.153.506**	**816.907**	**320.142**

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

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

Current Period

	Exposure Categories/ Risk Weight	%0	%10	%20	%50	%75	%100	%150	Diğer	Total Credit Risk
1	Exposures from central governments or central banks	6.925	-	-	-	-	-	-	-	6.925
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	2	-	-	2
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	1.021.435	3.964.214	-	69.488	-	-	5.055.137
7	Exposures from corporates	-	-	-	-	-	616.472	-	-	616.472
8	Retail receivables	-	-	-	-	10.703	-	-	-	10.703
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	631	-	631
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	**Total**	**6.925**	**-**	**1.021.435**	**3.964.214**	**10.703**	**685.962**	**631**	**-**	**5.689.870**

Prior Period

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

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.

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

7.6. CCR5 – Composition of collateral for CCR exposure:

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
Current Period	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**	**-**

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

7.7. CCR6 –Credit Derivatives

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

7.8. CCR7 – RWA changes on CCR within the internal model method

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

7.9. CCR8 – Exposures to central counterparties

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

8. Securitization exposures:

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

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

9. Disclosures regarding Market Risk

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

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

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

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

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

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

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

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

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

9.2. MR1- Market risk under standardised approach

		RWA (**)	
		Current Period	**Prior Period**
	Outright products (*)	1.627.963	1.993.488
1	*Interest rate risk (general and specific)*	1.467.913	*1.549.350*
2	*Equity risk (general and specific)*	25.525	*61.037*
3	*Foreign exchange risk*	132.250	*380.688*
4	*Commodity risk*	2.275	*2.413*
	Options	26.525	22.900
5	*Simplified approach*	-	-
6	*Delta-plus method*	*26.525*	*22.900*
7	*Scenario approach*	-	-
8	*Securitization*	-	-
9	**Total**	**1.654.488**	**2.016.388**

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

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

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

10. Explanations on Consolidated 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 10.473.509 TL'dir (December 31, 2017 - 9.225.592 TL).

Current Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	4.775.557	5.476.801	6.505.256	5.585.871	15	837.881
Amount subject to operational risk (Total*12,5)						**10.473.509**

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

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

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

III. Explanations on Consolidated Foreign Exchange Risk

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

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

Board of Directors has determined the limits considering the consistency with the "Foreign Currency Net General Position." Positions are being followed daily and limits are reviewed at least once a year depending on economic conditions and The Parent Bank strategy and updated as deemed necessary.

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

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

The Group hedges foreign currency borrowings with derivative instruments. The Group does not hedge net foreign currency investments with derivative instruments

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

US Dollars purchase rate in the balance sheet date	5,2609 TL
Euro purchase rate in the balance sheet date	6,0280 TL

Tarih	US Dollar	Euro
December 31, 2018	5,2609	6,0280
December 28, 2018	5,2889	6,0245
December 27, 2018	5,2832	6,0185
December 26, 2018	5,3034	6,0419
December 25, 2018	5,2926	6,0291

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

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

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

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

Current Period	**EUR**	**USD**	**Other**	**Total**
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank[1]	8.698.390	5.933.093	2.057.242	16.688.725
Due From Banks	106.355	887.228	43.006	1.036.589
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)[2]	300.161	270.168	132	570.461
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	513.387	3.385.031	-	3.898.418
Loans[3]	20.727.313	14.217.525	213.973	35.158.811
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	175.108	4.840.580	-	5.015.688
Derivative Financial Assets Hedging Purposes	2.049	142.445	-	144.494
Tangible Assets	-	-	61	61
Intangible Assets	-	-	-	-
Other Assets [4]	1.152.474	1.035.905	559	2.188.938
Total Assets	**31.675.237**	**30.711.975**	**2.314.973**	**64.702.185**
Liabilities				
Bank Deposits	1.105.303	2.361.406	84.892	3.551.601
Foreign Currency Deposits[5]	9.659.953	26.265.996	2.585.570	38.511.519
Money Market Borrowings	312.287	4.310.259	-	4.622.546
Funds Provided from Other Financial Institutions	8.120.355	14.269.770	1.876.185	24.266.310
Securities Issued	534.016	7.174.489	57.398	7.765.903
Sundry Creditors	5.651.727	707.511	7.591	6.366.829
Derivative Fin. Liabilities Hedging Purposes	88.053	304.108	-	392.161
Other Liabilities [6]	398.686	492.222	6.073	896.981
Total Liabilities	**25.870.380**	**55.885.761**	**4.617.709**	**86.373.850**
Net Balance Sheet Position	**5.804.857**	**(25.173.786)**	**(2.302.736)**	**(21.671.665)**
Net Off-Balance Sheet Position	-5.623.875	24.735.748	2.307.317	21.419.190
Financial Derivative Assets	14.555.072	70.548.346	2.403.102	87.506.520
Financial Derivative Liabilities	20.178.947	45.812.598	95.785	66.087.330
Non-Cash Loans [7]	7.367.223	7.133.391	443.815	14.944.429
Prior Period				
Total Assets	19.695.508	26.452.232	2.011.408	48.159.148
Total Liabilities	17.687.800	46.168.736	4.076.574	67.933.110
Net Balance Sheet Position	**2.007.708**	**(19.716.504)**	**(2.065.166)**	**(19.773.962)**
Net Off-Balance Sheet Position	**(2.135.608)**	**17.986.103**	**2.111.085**	**17.961.580**
Financial Derivative Assets	8.736.674	57.616.453	2.286.793	68.639.920
Financial Derivative Liabilities	10.872.282	39.630.350	175.708	50.678.340
Non-Cash Loans	4.724.545	5.457.980	293.108	10.475.633

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

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

(3) Includes TL 2.162.619(December 31, 2017 – TL 3.382.889) FC indexed loans. Does not include repealed financial leasing receivables amounting to TL 51.659 (December 31 2017 – TL 6.737) accounted as FC in balance sheet. Includes FC indexed factoring receivables amounting to TL 27.754 (December 31, 2017 – TL 60.973) accounted as TL in balance sheet.

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

(5) Foreign currency deposits include TL 1.862.513 (December 31, 2017 – TL 1.198.394) of precious metal deposit account.

(6) Other Liabilities do not include the Foreign Exchange Loan Factoring payables amounting to TL 2.945.

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

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

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

6. Sensitivity to Foreign Exchange Risk

The Group is exposed to currency risk in Euro and US Dollars.

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

	% change in the Foreign currency	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity (*)	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity (*)
		Current Period	**Current Period**	**Prior Period**	**Prior Period**
USD	%10 artış	(3.403)	(36.791)	(8.248)	(22.596)
	%10 azalış	3.403	36.791	8.248	22.596
EURO	%10 artış	14.117	10.822	(10.467)	(10.232)
	%10 azalış	(14.117)	(10.822)	10.467	10.232

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

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

IV. Explanations on Consolidated Interest Rate Risk

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

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

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

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing [1]	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank [2]	6.948.670	-	-	-	-	11.525.632	18.474.302
Due from Banks [3]	63.245	-	77	-	-	1.178.289	1.241.611
Financial Assets at Fair Value Through Profit/Loss [4]	19.561	13.878	1.305	12.758	7.828	9.577.455	9.632.785
Money Market Placements	507.706	-	2.000	-	-	-	509.706
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) [5]	295.420	537.796	3.121.016	1.944.318	2.689.994	2.671.512	11.260.056
Loans and Receivables	29.113.751	10.730.449	26.600.170	25.786.714	3.760.403	4.385.104	100.376.591
Financial Assets Measured at Amortized Cost [6]	1.302.442	1.696.535	3.692.648	1.684.718	3.543.329	975.444	12.895.116
Other Assets	-	-	-	-	-	9.110.067	9.110.067
Total Assets							
	38.250.795	**12.978.658**	**33.417.216**	**29.428.508**	**10.001.554**	**39.423.503**	**163.500.234**
Liabilities							
Bank Deposits							
Other Deposits	2.399.564	660.154	53.659	-	-	564.208	3.677.585
Money Market Borrowings	45.208.078	15.892.388	6.055.592	150.735	164	15.841.674	83.148.631
Sundry Creditors	2.193.999	1.712.362	1.324.744	41.625	37.132	23.810	5.333.672
Securities Issued	6.212.585	-	-	-	-	3.145.516	9.358.101
Funds Borrowed	1.611.103	3.503.049	2.882.177	3.799.105	-	54.643	11.850.077
Other Liabilities [7]	3.700.911	5.148.542	12.742.802	1.421.288	2.352.810	1.978	25.368.331
Total Liabilities	51.259	2.539	11.242	149.295	-	24.549.502	24.763.837
On Balance Sheet Long Position	**61.377.499**	**26.919.034**	**23.070.216**	**5.562.048**	**2.390.106**	**44.181.331**	**163.500.234**
On Balance Sheet Short Position							
Off-Balance Sheet Long Position	-	-	10.347.000	23.866.460	7.611.448	-	41.824.908
Off-Balance Sheet Short Position	(23.126.704)	(13.940.376)	-	-	-	(4.757.828)	(41.824.908)
Total Position	5.271.880	21.627.288	1.917.808	-	-	-	28.816.976
Current Period	-	-	-	(15.205.275)	(7.384.089)	-	(22.589.364)
Assets	**(17.854.824)**	**7.686.912**	**12.264.808**	**8.661.185**	**227.359**	**(4.757.828)**	**6.227.612**

[1] Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
[2] Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 37.141 expected loss provisions.
[3] Banks include balance of expected loss provisions amounting to TL 441
[4] Financial Assets at Fair Value Through Profit/Loss include amount of TL 9587.046 derivative financial assets used for hedging purposes.
[5] Receivables from Money Markets include the balance of expected loss provisions of TL 5.
[6] Financial Assets Measured at Fair Value Through Other Comprehensive Income include amount of TL 2.814.283 derivative financial assets through other comprehensive income.
[7] Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 37.077
[8] Other Liabilities includes TL 336.173 of the Reflected Financial Liabilities at the Fair Value Difference of Other Derivative Financial Liabilities.

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

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

(Based on repricing dates)

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

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

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

Average interest rates applied to monetary financial instruments

	EUR %	USD %	JPY %	TL %
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	2,00	-	13,00
Due from Banks	-	1,36	-	23,69
Financial Assets Measured at Fair Value through Profit/Loss	1,98	6,10	-	18,83
Money Market Placements	-	-	-	26,04
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,52	5,00	-	20,91
Loans and Receivables	4,85	7,26	2,39	21,10
Financial Assets Measured at Amortized Cost	4,84	5,27	-	25,80
Liabilities				
Bank Deposits	1,26	3,81	-	22,40
Other Deposits	1,64	4,17	0,83	22,34
Money Market Borrowings	0,24	2,43	-	16,27
Sundry Creditors	0,36	2,27	-	-
Securities Issued	1,43	5,62	-	24,91
Funds Borrowed	2,44	5,09	-	20,35

	EUR %	USD %	JPY %	TL %
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	1,25	-	4,00
Due from Banks	0,56	1,40	-	13,14
Financial Assets at Fair Value Through Profit/Loss	2,11	5,04	-	11,17
Money Market Placements	-	-	-	13,65
Investment Securities Available for Sale	3,47	4,83	-	12,46
Loans and Receivables	4,35	4,89	2,67	15,70
Investment Securities Held to Maturity	2,96	5,22	-	13,93
Liabilities				
Bank Deposits	1,06	1,89	-	12,42
Other Deposits	1,60	3,49	0,37	13,06
Money Market Borrowings	0,21	1,86	-	12,56
Sundry Creditors	0,34	1,27	-	-
Securities Issued	-	5,57	-	14,86
Funds Borrowed	2,35	3,24	-	12,76

Interest rate risk on banking book

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

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

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

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

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

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) securities included in banking book are daily monitored by being added to the scope of market risk. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal, interest rate and VaR limits.

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

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

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

	Comparison		
Equity Securities (shares)	Carrying Value	Gerçeğe Uygun Değer	Carrying Value
1. Equity Investments Group A	**15.445**	**-**	**15.445**
Quoted Securities	15.445	-	15.445
2. Equity Investments Group B	**-**	**-**	**-**
Quoted Securities	-	-	-
3. Equity Investments Group C	**-**	**-**	**-**
Quoted Securities	-	-	-
4. Equity Investments Group Other	**179.148**	**148.674**	**-**

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

		Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio	Gains/Losses in Current Period	Total	Amount under Core Capital	Toplam	Ana Sermayeye Dahil Edilen	Total
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	2.079	-	-	287	-	129
3. Other Shares	-	-	-	-	-	-
4. Total	**2.079**	**-**	**-**	**287**	**-**	**129**

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

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

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

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

It is essential for the Parent Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Parent Bank is carried out in line with limits and internal warning systems within the framework of ALC decisions. Funding and placement strategies are developed through evaluating the liquidity of the Parent Bank.

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

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

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

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

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

Liquidity Coverage Ratio

Current Period - December 31, 2018	Unweighted Amounts(*)		Weighted Amounts(*)	
	TL+FC	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS			**29.090.785**	**17.514.960**
1. High Quality Liquid Assets	29.090.785	17.514.960	29.090.785	17.514.960
CASH OUTFLOWS				
2 Retail and Small Business Customers Deposits	61.151.263	28.298.893	5.528.010	2.829.889
3 Stable deposits	11.742.326	-	587.116	-
4 Less stable deposits	49.408.937	28.298.893	4.940.894	2.829.889
5 Unsecured Funding other than Retail and Small Business Customers Deposits	28.840.585	17.685.716	18.563.980	11.614.627
6 Operational deposits	601.809	63.785	150.452	15.946
7 Non-Operational Deposits	19.711.002	13.268.463	11.424.323	7.322.600
8 Other Unsecured Funding	8.527.774	4.353.468	6.989.205	4.276.081
9 Secured funding	-	-	205.867	205.867
10 Other Cash Outflows	17.534.244	10.629.289	17.534.244	10.629.289
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	17.534.244	10.629.289	17.534.244	10.629.289
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	27.962.050	1.443.393	1.398.103	72.170
15 Other irrevocable or conditionally revocable commitments	61.854.232	16.095.464	4.551.341	1.400.986
16 TOTAL CASH OUTFLOWS			**47.781.545**	**26.752.828**
CASH INFLOWS				
17 Secured Lending Transactions	26.975	-	-	-
18 Unsecured Lending Transactions	8.445.989	1.933.202	5.151.747	1.668.377
19 Other contractual cash inflows	17.217.905	14.063.547	17.217.905	14.063.547
20 TOTAL CASH INFLOWS	**25.690.869**	**15.996.749**	**22.369.652**	**15.731.924**
			Capped Amounts	
21 TOTAL HIGH QUALITY LIQUID ASSETS			**29.090.785**	**17.514.960**
22 TOTAL NET CASH OUTFLOWS			**25.411.893**	**11.020.904**
23 LIQUDITY COVERAGE RATIO (%)			**%114,48**	**%158,92**

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

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

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

(*) Simple arithmetic average calculated for the last three month of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three month.

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

Minimum, maximum and average liquidity coverage ratios calculated in accordance with the "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014 for the last three month are explained in the table below:

	Maximum	Week	Minimum	Week	Average
TL+FC	141,94	12.10.2018	97,62	30.11.2018	114,93
FC	280,06	30.10.2018	118,90	12.12.2018	166,42

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

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

Funding sources of the Parent Bank mainly consist of deposits which constitute 53% of total liabilities of the Group (December 31, 2017 – 51%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

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

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

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

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

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

Presentation of assets and liabilities according to their remaining maturities

Current Period	**Demand**	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Unallocated[1]**	**Total**
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank [2]	7.691.791	10.819.652	-	-	-	-	(37.141)	18.474.302
Due from Banks [3]	1.178.555	63.418	-	79	-	-	(441)	1.241.611
Financial Assets at Fair Value Through Profit/Loss [4]	7.868	608.334	1.219.345	2.635.821	4.773.271	371.497	16.649	9.632.785
Money Market Placements	-	507.711	-	2.000	-	-	(5)	509.706
Financial Assets Measured at Fair Value through Other Comprehensive Income [5]	118.171	1.718	598.951	1.466.099	5.450.431	3.624.686	-	11.260.056
Loans and Receivables [6]	-	19.082.854	8.821.945	25.695.002	33.047.314	12.052.385	1.677.091	100.376.591
Financial Assets Measured at Amortized Cost[7]	-	-	301.812	509.935	5.729.451	6.390.995	(37.077)	12.895.116
Other Assets	-	3.838.308	18.730	27.102	942.211	2.137	4.281.579	9.110.067
Total Assets	**8.996.385**	**34.921.995**	**10.960.783**	**30.336.038**	**49.942.678**	**22.441.700**	**5.900.655**	**163.500.234**
Liabilities								
Bank Deposits	555.547	2.405.997	661.864	54.177	-	-	-	3.677.585
Other Deposits	15.120.543	45.577.241	16.081.731	6.216.318	152.633	165	-	83.148.631
Funds Borrowed	-	3.250.480	1.735.553	7.538.981	6.640.651	6.202.666	-	25.368.331
Money Market Borrowings	-	2.206.007	858.893	528.141	834.281	906.350	-	5.333.672
Securities Issued	-	1.611.424	2.137.312	3.299.848	4.766.782	34.711	-	11.850.077
Sundry Creditors	-	3.008.394	815.664	1.889.275	3.644.768	-	-	9.358.101
Other Liabilities [8]	-	3.673.169	955.748	1.513.312	2.673.707	447.367	15.500.534	24.763.837
Total Liabilities	**15.676.090**	**61.732.712**	**23.246.765**	**21.040.052**	**18.712.822**	**7.591.259**	**15.500.534**	**163.500.234**
Liquidity Excess / Gap	**(6.679.705)**	**(26.810.717)**	**(12.285.982)**	**9.295.986**	**31.229.856**	**14.850.441**	**(9.599.879)**	**-**
Net Off- Balance Sheet Position [9]	**-**	**(477.540)**	**936.632**	**2.070.666**	**2.289.683**	**31.041**	**-**	**4.850.482**
Receivables from financial derivative instruments	-	18.794.816	14.225.803	22.354.597	37.228.868	18.475.965	-	111.080.049
Liabilities from derivative financial instruments	-	19.272.356	13.289.171	20.283.931	34.939.185	18.444.924	-	106.229.567
Non Cash Loans [10]	**-**	**1.246.671**	**2.179.701**	**8.419.216**	**2.914.717**	**412.843**	**8.516.098**	**23.689.246**
Prior period								
Total Assets	5.153.248	30.597.144	7.294.622	26.579.810	40.752.978	16.987.399	3.829.464	131.194.665
Total Liabilities	12.724.536	55.527.937	15.068.821	14.274.437	14.339.665	4.823.724	14.435.545	131.194.665
Liquidity Gap	**(7.571.288)**	**(24.930.793)**	**(7.774.199)**	**12.305.373**	**26.413.313**	**12.163.675**	**(10.606.081)**	**-**
Net Off- Balance Sheet Position [6]	**-**	**161.134**	**391.205**	**725.540**	**1.472.151**	**21.732**	**-**	**2.771.762**
Receivables from financial derivative instruments	-	16.758.947	15.518.239	23.277.189	35.950.287	7.066.466	-	98.571.128
Liabilities from derivative financial instruments	-	16.597.813	15.127.034	22.551.649	34.478.136	7.044.734	-	95.799.366
Non Cash Loans[7]	**-**	**1.100.786**	**2.055.672**	**7.089.728**	**2.717.879**	**404.698**	**5.946.286**	**19.315.049**

[1] The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column. Unallocated other liabilities include equities amount of TL 14.603.443 and also include amount of TL 826.061 unallocated provisions and deferred tax liabilities.

[2] Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include expected loss provisions amounting to TL 36.812

[3] Banks include balance of expected loss provisions amounting to TL 775

[4] Financial assets at fair value through profit/loss include derivative financial assets through profit loss amounting to TL 9.587.046

[5] Receivables from Money Markets include balance of expected loss provisions amounting to TL 5

[6] Financial assets at fair value through other comprehensive income include derivative financial assets through other comprehensive income amounting to TL 2.814.283

[7] Loans and receivables include leasing and factoring receivables.

[8] Financial assets measured at amortized cost include TL 37.077 of expected loss provisions.

[9] Other Liabilities The fair value difference of derivative financial liabilities held for hedging purposes amounting to TL 336.173 is included in other comprehensive income.

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

[11] Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

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

Financial Liabilities according to the remaining maturities on the contract

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

Current Period	Undated	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and longer	Total	Balance Sheet Value
Bank Deposits	555.547	2.408.606	665.320	56.127	-	-	3.685.600	3.677.585
Other Deposits	15.120.543	45.800.136	16.421.335	6.839.246	179.722	243	84.361.225	83.148.631
Payables to Money Market	-	2.641.026	1.030.945	712.458	893.988	1.112.929	6.391.346	5.333.672
Funds from other Financial Institutions	-	3.296.014	1.811.435	8.192.542	8.310.726	7.580.284	29.191.001	25.368.331
Securities Issued	-	1.622.538	2.215.468	3.644.350	5.279.491	34.711	12.796.558	11.850.077
Noncash Loans(*)	8.516.098	1.246.671	2.179.701	8.419.216	2.914.717	412.843	23.689.246	23.689.246

Prior Period	Undated	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Longer	Total	Balance Sheet Value
Bank Deposits	129.280	1.860.557	206.425	152.348	-	-	2.348.610	2.344.879
Other Deposits	12.603.695	41.087.398	8.789.139	3.209.164	27.296	72	65.716.764	65.198.496
Payables to Money Market	-	4.152.024	1.210.377	609.277	405.281	797.801	7.174.760	6.999.767
Funds from other Financial Institutions	-	2.658.242	1.989.090	8.776.520	7.047.890	3.515.968	23.987.710	21.522.863
Securities Issued	-	1.828.626	2.128.560	1.321.125	6.140.493	52.462	11.471.266	10.398.025
Noncash Loans(*)	5.946.286	1.100.786	2.055.672	7.089.728	2.717.879	404.698	19.315.049	19.315.049

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Longer	Total
Forward contracts buying (**)	2.400.029	902.506	602.351	727.309	-	4.632.195
Forward contracts selling (**)	(2.300.428)	(903.603)	(589.513)	(819.265)	-	(4.612.809)
Swap contracts buying (*)	15.063.581	10.755.485	20.821.697	36.895.955	18.740.180	102.276.898
Swap contracts selling(*)	(13.535.238)	(9.827.367)	(18.805.913)	(33.675.335)	(18.709.141)	(94.552.994)
Futures buying	-	-	118.507	-	-	118.507
Futures selling	-	-	(118.507)	-	-	(118.507)
Options buying	3.043.101	2.321.887	765.176	-	-	6.130.164
Options selling	(3.245.783)	(2.226.985)	(725.544)	-	-	(6.198.312)
Other	-	105.218	-	710.223	-	815.441
Total	**1.425.262**	**1.127.141**	**2.068.254**	**3.838.887**	**31.039**	**8.490.583**

(*) Derivative financial assets held for cash flow hedges are included.
(**)Includes the Dated, Asset Value Buying and Selling obligations that are in Obligations.

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward contracts buying (**)	3.376.800	1.322.808	1.232.445	750.734	-	6.682.787
Forward contracts selling (**)	(3.384.148)	(1.347.699)	(1.250.000)	(788.451)	-	(6.770.298)
Swap contracts buying (*)	12.921.261	13.367.291	20.802.988	35.200.346	7.066.467	89.358.353
Swap contracts selling(*)	(12.680.890)	(12.958.447)	(19.788.181)	(33.386.894)	(7.044.734)	(85.859.146)
Futures buying	-	24.500	80.713	-	-	105.213
Futures selling	-	(24.005)	(80.713)	-	-	(104.718)
Options buying	2.083.102	809.460	918.661	-	-	3.811.223
Options selling	(2.116.124)	(808.827)	(915.333)	-	-	(3.840.284)
Other	-	-	304.832	323.884	-	628.716
Total	**200.001**	**385.081**	**1.305.412**	**2.099.619**	**21.733**	**4.011.846**

(*) Derivative financial assets held for cash flow hedges are included.
(**)Include the Dated, Asset Value Buying and Selling obligations that are in Obligations

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

VII. Explanations on Consolidated Leverage Ratio

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

The Group's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6,21% (December 31, 2017: 6,17%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

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

		Current Period(**)	Prior Period(**)
1	Total asset amount in consolidated financial statements prepared in accordance with TFRS (*)	164.418.175	129.733.795
2	Difference between total asset amount in consolidated financial statements prepared in accordance with TFRS and total asset amount in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	351.253	522.744
3	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives	1.411.506	1.275.678
4	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of investment securities or financial transaction that are commodity collateralized	-	-
5	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of off balance transactions	66.754.396	57.572.480
6	Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	(476.703)	(394.938)
7	**Total Risk Amount**	**232.458.627**	**188.709.759**

(*) Consolidated financial statements prepared in accordance with the 5th clause and 6th subclause of Communique on the Preparation of Consolidated Financial Statements.
(**) Amounts presented above represent the arithmetic average of the last three month

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

c) Leverage ratio public disclosure template

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

	Book Value	
	Current Period (*)	**Current Period (*)**
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	150.821.711	124.173.604
(Assets deducted from capital stock)	476.703	394.938
Total risk amount related to Assets on Balance sheet	**150.345.008**	**123.778.666**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	13.947.717	6.082.935
Potential credit risk amount of derivative financial instruments and credit derivatives	1.411.506	1.275.678
Total risk amount related to derivative financial instruments and credit derivatives	**15.359.223**	**7.358.613**
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	-	-
Risk amount sourcing from transactions mediated	-	-
Total risk amount related to financial transactions having security or commodity collateral	-	-
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	93.141.238	74.916.230
(Adjustment amount sourcing from multiplying to credit conversion rates)	26.386.842	17.343.750
Total risk amount related to off-balance sheet transactions	**66.754.396**	**57.572.480**
Capital and Total Risk		
Core Capital	14.432.959	11.665.362
Amount of total risk	232.458.627	188.709.759
Financial leverage ratio		
Financial leverage ratio	%6,21	%6,18

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

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

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

The fair value of financial assets measured at amortized cost; market prices or, where such price cannot be determined, interest is determined on the basis of quoted market prices for other securities subject to the same qualified amortization in terms of maturity and other similar conditions.
Fair value of held to maturity investments are determined through market rates. If market rates cannot be spotted, market rates of securities with similar interest, maturity and other characteristics are used instead.
The fair value of funds provided from other financial institutions, is determined based on discounted cash flows using the current market interest rates.

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

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

Current Period	**Carrying value**	**Fair value**
Financial Assets	**123.506.320**	**119.015.145**
Banks	509.711	509.706
Receivables from Money Market	1.242.052	1.241.611
Loans and Receivables	8.445.773	8.445.773
Factoring Receivables	12.932.193	12.088.537
Leasing Receivables	100.376.591	96.729.072
Available for Sale Financial Assets	**138.736.397**	**137.831.565**
Securities Held to Maturity	3.677.585	3.677.753
Financial Liabilities	83.148.631	83.169.436
Bank Deposits	25.368.331	24.650.833
Other Deposits	5.333.672	5.333.672
Funds from Other Financial Institutions	11.850.077	11.641.770
Payables to Money Market	9.358.101	9.358.101

Prior Period	**Carrying value**	**Fair value**
Financial Assets	**105.335.591**	**104.256.561**
Banks	1.299.772	1.299.772
Receivables from Money Market	241.859	241.859
Loans and Receivables	82.428.356	81.265.434
Factoring Receivables	1.381.002	1.381.002
Leasing Receivables	4.466.063	4.559.412
Available for Sale Financial Assets	8.349.875	8.349.875
Securities Held to Maturity	7.168.664	7.159.207
Financial Liabilities	**112.679.441**	**112.626.047**
Bank Deposits	2.344.879	2.344.927
Other Deposits	65.198.496	65.219.301
Funds from Other Financial Institutions	21.522.863	21.399.361
Payables to Money Market	6.999.767	6.999.767
Securities Issued	10.398.025	10.447.280
Other Debts	6.215.411	6.215.411

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

Classification for fair value is generated as followed below:

a) Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

b) Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

c) Level 3: Assets and liabilities where no observable market data can be used for valuation

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

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

Current Period	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets	**8.250.167**	**12.637.762**	**110.032**	**20.997.961**
Financial Assets at Fair Value through Profit/Loss	45.739	-	110.032	155.771
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)				
Assets on Trading Derivatives (**)	8.201.732	239.129	-	8.440.861
Derivative Financial Assets	2.696	12.398.633	-	12.401.329
Financial Liabilities	**3.073**	**6.447.116**	**-**	**6.450.189**
Derivative Financial Liabilities	3.073	6.447.116	-	6.450.189

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

(**)The fair value difference does not include share balance amounting to TL 4.912 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

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

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

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

	Current Period	**Prior Period**
Opening Balance	**-**	**-**
Change in total gain/loss	-	-
Accounted in income statement	-	-
Accounted in other comprehensive income	-	-
Purchases	110.032	-
Disposals	-	-
Matured Loans	-	-
Sales from Level 3	-	-
Closing Balance	**110.032**	**-**

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

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Consolidated Assets

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Cash in TL/Foreign Currency	787.020	849.141	644.333	340.629
T.R. Central Bank	1.035.698	15.770.333	1.461.242	13.408.983
Others	-	69.251	25.365	1.720
Total	**1.822.718**	**16.688.725**	**2.130.940**	**13.751.332**

b) Balances with the Central Bank of Turkey

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

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

As of December 31, 2018, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 1,5% to 8% depending on the maturity of deposits (December 31, 2017 – 4% to 10,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 20% depending on the maturity of deposits and other liabilities (December 31, 2017 – 4% and 24%). In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15", the reserve requirements can be maintained as TL, USD, EUR and standard gold.

2. Further information on financial assets at fair value through profit/loss (net amounts are expressed)

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Given as Collateral/blocked	3.676	695	28.219	1.113
Subject to repurchase agreement	-	-	14.275	-
Total	**3.676**	**695**	**42.494**	**1.113**

b) Positive differences on trading derivative instruments

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forward Transactions	138.487	-	43.711	-
Swap Transactions	4.674.014	428.270	2.213.686	184.096
Futures	-	2.576	-	105
Options	120	188.916	884	61.660
Other	-	-	-	-
Total	**4.812.621**	**619.762**	**2.258.281**	**245.861**

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

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

3. a) Information on banks

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks	205.463	1.036.589		
Domestic	205.457	1.210	16.806	845.929
Foreign	6	1.035.379	851	436.186
Foreign Head Offices and Branches	-	-	-	-
Total	**205.463**	**1.036.589**	**17.657**	**1.282.115**

As a result of TFRS 9 adoption, amount of TL 441 provision established for banks account as of December 31, 2018.

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
EU Countries	228.892	69.846	39.428	17.419
USA and Canada	568.966	240.799	160.682	103.924
OECD Countries (*)	1.535	2.133	-	-
Off-shore Banking Regions	-	-	-	-
Other	35.882	2.916	-	-
Total	**835.275**	**315.694**	**200.110**	**121.343**

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

(**) Includes blocked placements amounting to TL 200.110 at foreign banks (December 31, 2017 - TL 121.343) for the funds borrowed from foreign banks.

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TP	**YP**	**TP**	**YP**
Domestic Transactions	**100.070**	**-**	**-**	**-**
T.R. Central Bank	-	-	-	-
Banks	100.070	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	**-**	**-**	**-**	**-**
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Total	**100.070**	**-**	**-**	**-**

As of 31 December 2018, due to the transition to TFRS 9, a provision amounting to TL 5 is provided to the accounts receivable from the money markets.

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

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

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

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

a.2) Information on investment securities available for-sale subject to repurchase agreements and provided as Collateral /blocked

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

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

	Current Period
Debt securities	**8.742.018**
Quoted on a stock exchange (*)	8.742.018
Unquoted on a stock exchange	-
Share certificates	**119.995**
Quoted on a stock exchange	1.718
Unquoted on a stock exchange(**)	118.277
Impairment provision (-)(***)	**(416.240)**
Total	**8.445.773**

b.2) Information on Securities Available for Sale:

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

(*) The Eurobond Portfolio amounting to TL 2.654.262 (December 31, 2017 - TL 4.072.503) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as financial assets measured at fair value through other comprehensive income in order to be in line with balance sheet presentation.
(**) It includes 11.695 Type C Visa Inc. shares transferred to Main Partner Bank because of exchange of stock as a result of transferring of Visa Europe Ltd to Visa Inc.
(***) As a result of adoption of TFRS 9, as of December 31, 2018 amount of TL 19.492 provision provided for financial assets measured at fair value through other comprehensive income account.

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

6. Information related to loans

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

	Current Period		Prior Period	
	Cash	**Non-Cash**	**Cash**	**Non-Cash**
Direct Loans Granted to Shareholders	**1.755**	**-**	**613**	**-**
Corporate Shareholders	1.755	-	613	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	85.830	-	82.484	-
Total	**87.585**	**-**	**83.097**	**-**

(*) Includes advances given to the bank personnel.

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

b.1) Loans measured at amortised cost

Cash Loans	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Yeniden Yapılandırılanlar	
			Sözleşme Koşullarında Değişiklik	Yeniden Finansman
Non Specialized Loans	**85.368.415**	**5.633.036**	**346.076**	**3.951.494**
Entreprise Loans	915.537	9.220	-	-
Export Loans	1.899.386	190.227	-	-
Import Loans	7.084	-	-	-
Financial Sector Loans	1.049.195	402	-	-
Consumer Loans	17.845.745	1.110.336	10.966	808.581
Credit Cards	12.662.694	808.356	-	606.521
Other	50.988.774	3.514.495	335.110	2.536.392
Specialized Loans	**-**	**-**	**-**	**-**
Other Receivables	**-**	**-**	**-**	**-**
Total	**85.368.415**	**5.633.036**	**346.076**	**3.951.494**

	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses (Stage I)	1.078.524	-
Significant Increase in Credit Risk (Stage II)	-	1.692.132

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

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

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

b.2) Includes loans measured at fair value through profit or loss.

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

c) Distribution of amortized loans and other receivables according to their maturities

Cash Loans	Standard Loans	Loans Under CloseMonitoring	
		Loans without Revised Contract Terms	RestructuredLoans
Short-term Loans	31.601.948	809.219	606.521
Medium and Long-term Loans	53.766.467	4.823.817	3.691.049
Total	**85.368.415**	**5.633.036**	**4.297.570**

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

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	**1.051.488**	**16.780.651**	**17.832.139**
Housing Loans	103.718	4.715.175	4.818.893
Automobile Loans	179	16.120	16.299
Personal Need Loans	947.591	12.049.356	12.996.947
Other	-	-	-
Consumer Loans-FC Indexed	**3.863**	**1.329**	**5.192**
Housing Loans	3.582	1.242	4.824
Automobile Loans	-	-	-
Personal Need Loans	281	87	368
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	**10.722.575**	**401.040**	**11.123.615**
Installment	3.858.489	401.040	4.259.529
Non- Installment	6.864.086	-	6.864.086
Individual Credit Cards-FC	**4.632**	**-**	**4.632**
Installment	-	-	-
Non- Installment	4.632	-	4.632
Personnel Loans-TL	**6.086**	**41.449**	**47.535**
Housing Loans	41	421	462
Automobile Loans	-	-	-
Personal Need Loans	6.045	41.028	47.073
Other	-	-	-
Personnel Loans-FC Indexed	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**36.849**	**-**	**36.849**
Installment	13.710	-	13.710
Non-Installment	23.139	-	23.139
Personnel Credit Cards-FC	**66**	**-**	**66**
Installment	-	-	-
Non-Installment	66	-	66
Overdraft Accounts-TL (Real Persons)	**1.890.762**	**-**	**1.890.762**
Overdraft Accounts-FC (Real Persons)	**-**	**-**	**-**
Total	**13.716.321**	**17.224.469**	**30.940.790**

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

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

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

f) Loans according to borrowers

	Current Period	Prior Period
Public	101.668	50.160
Private	95.307.385	81.585.320
Total	**95.409.053**	**81.635.480**

g) Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	94.878.795	81.118.403
Foreign Loans	530.258	517.077
Total	**95.409.053**	**81.635.480**

h) Loans granted to subsidiaries and associates

There are no loans granted to subsidiaries and associates (December 31, 2017-None).

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

i) Specific provisions for loans

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	760.596	113.746
Loans and Receivables with Doubtful Collectability	625.240	348.575
Uncollectible Loans and Receivables	3.551.336	3.078.393
Total	**4.937.172**	**3.540.714**

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

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivabl es
Current Period	**4.765**	**28.339**	**58.313**
Gross Amounts Before the Provisions	-	-	-
Restructured Loans	4.765	28.339	58.313
Prior Period	**-**	**2.481**	**57.600**
Gross Amounts Before the Provisions	-	-	-
Restructured Loans	-	2.481	57.600

j.2) Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Prior Period End Balance	**568.626**	**697.150**	**3.078.393**
Additions (+)	3.176.502	281.213	233.757
Transfers from Other Categories of Non-Performing Loans (+)	18	1.876.053	1.474.255
Transfers to Other Categories of Non-Performing Loans (-)	1.875.418	1.473.157	1.752
Collections (-)	415.792	357.988	499.021
Write-offs (-)	**-**	**4.970**	**143.606**
Corporate and Commercial Loans	-	4.970	139.514
Consumer Loans	-	-	2.176
Credit Cards	-	-	1.916
Others	-	-	-
Current Period End Balance	**1.453.936**	**1.018.301**	**4.142.026**
Specific Provision (-)	760.596	625.240	3.551.336
Net Balances on Balance Sheet	**693.340**	**393.061**	**590.690**

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

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

None (December 31, 2017 – None).

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

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

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period (Net)	**693.340**	**393.061**	**590.690**
Loans to Real Persons and Legal Entities (Gross)	1.453.936	1.018.301	4.108.905
Provision (-)	760.596	625.240	3.518.215
Loans to Real Persons and Legal Entities (Net)	693.340	393.061	590.690
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	33.121
Provision (-)	-	-	33.121
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	**454.880**	**348.575**	**-**
Loans to Real Persons and Legal Entities (Gross)	568.626	697.150	3.051.189
Specific provision (-)	113.746	348.575	3.051.189
Loans to Real Persons and Legal Entities (Net)	454.880	348.575	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	27.204
Specific provision (-)	-	-	27.204
Other Loans and Receivables (Net)	-	-	-

(*)Included interest accruals and valuation differences.

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period (Net)			
Interest accruals and valuation differences	154.002	126.042	35.215
Provision amount (-)	94.342	77.214	21.573

k) Liquidation policies for uncollectible loans and other receivables

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

l) Explanations on write-off policy:

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

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

7. Information on factoring receivables

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short Term	836.590	104.385	1.250.546	95.688
Medium and Long Term	32.029	-	34.768	-
Total	**868.619**	**104.385**	**1.285.314**	**95.688**

As of December 31, 2018 and December 31, 2017, changes in provision for non-performing factoring receivables are as follows:

	Current Period	Prior Period
Prior Period End Balance	41.794	20.825
Provided Provision / (reversal), Net	33.906	14.186
Collections	(8.236)	(421)
Write-offs	-	-
Provision at the End of Period	**67.464**	**34.590**

8. Information on Financial Assets Measured at Amortized Cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Current Period
Balance at the beginning of the period(*)	**8.946.170**
Exchange differences on monetary assets	1.333.014
Acquisitions during the year	2.201.072
Disposals through sales and redemptions	(837.723)
Impairment provision (-)	-
Valuation Effect	1.289.660
The sum of end of the period	**12.932.193**

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

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

d.2) Movement of investments held-to-maturity

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

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

9. Investments in associates (Net):

9.1. Information on unconsolidated associates:

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

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
102.191	64.697	48.996	4.119	-	-	-	-

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

9.2. Movements of investments in associates

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

9.3. Sectoral distribution and the related carrying amounts on associates

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

9.4. Quoted Associates

None (December 31, 2017 - None).

9.5. Valuation of investments in associates

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

9.6. Investments in associates sold during the current period

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

None (December 31, 2017 - None).

9.7. Investments in subsidiaries (Net)

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

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

	Title	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	Istanbul/Turkey	99,91	99,99
2.	EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.(*)	Istanbul/Turkey	100,00	100,00

(*)	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	39.438	16.056	23.054	-	-	(4.919)	2.808	-
2.	20.156	6.148	5.466	1.070	-	3.250	702	-

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

b) Information on the consolidated subsidiaries:

b.1) Information on the consolidated subsidiaries :

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

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

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (*)	Total Assets
1.	752.695	174.792	4.772	46.568	6.685	45.781	25.680	161.840
2.	5.914.404	805.777	5.995	497.060	-	82.447	93.966	777.308
3.	190.823	29.019	3.960	14.217	-	(20.773)	(4.367)	-
4.	11.257	9.790	303	1.888	-	(2.148)	(451)	-
5.	1.247.133	127.125	6.069	270.453	34	37.795	15.991	105.614
6.	219	200	-	-	-	-	-	-

(*) Fair values of publicly traded subsidiaries reflect their Borsa Istanbul (BIST) values as of the balance sheet date.

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

b.2) Movement of investments in subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	**724.921**	**647.572**
Movements during the Period	**378.281**	**77.349**
Purchases(*)	15.000	30.000
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Difference	363.281	47.349
Impairment Provision	-	-
Balance at the End of the Period	**1.103.202**	**724.921**
Capital Commitments	**-**	**-**
Share Percentage at the end of the Period (%)	**-**	**-**

(*)At the current period, Finans Faktoring A.Ş. has raised its capital at an amount of TL 15.000. In the previous period, Hemenal Finansman A.Ş. has increased its capital at an amount of TL 30.000 through paid capital increase.

b.3) Sectoral distribution of the consolidated subsidiaries

	Current Period	Prior Period
Factoring Companies	105.614	93.350
Leasing Companies	777.308	445.809
Finance Companies	58.395	58.395
Other Subsidiaries	161.885	127.367
Total	**1.103.202**	**724.921**

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

b.4) Quoted subsidiaries within the context of consolidation

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	777.308	445.809
Quoted on International Stock Exchanges	-	-
Total	**777.308**	**445.809**

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

None.

10. Investments in entities under common control:

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

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	1.372.589	184.645	16.850	-	-	103.384	61.759	148.673
2.	83.502	53.548	35.562	-	-	15.064	11.362	-

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

11. Information on finance lease receivables (Net):

12. Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	1.745.864	1.380.549	1.643.065	1.345.976
Between 1-4 years	3.558.033	3.017.466	2.876.082	2.460.214
Over 4 years	759.925	690.084	716.284	659.873
Total	**6.063.822**	**5.088.099**	**5.235.431**	**4.466.063**

Finance lease receivables include non-performing finance lease receivables amounting to TL 345.070 (December 31, 2017 – TL 164.253) and specific provisions amounting to TL 110.677 (December 31, 2017 – TL 97.562).

Changes in non-performing finance lease receivables provision as of December 31, 2018 and December 31, 2017, are as follows

	Current Period	**Prior Period**
End of the prior period	98.706	114.477
Provided provision / (reversal), Net	55.472	41.596
Collections	(5.140)	(8.359)
Written-off	(38.361)	(53.306)
Provision at the end of the period	**110.677**	**94.408**

12.1. Information on net investment on leases

	Current Period	**Prior Period**
Gross Finance Lease Investments	6.075.644	5.235.431
Unearned Finance Income (-)	987.545	769.368
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	**5.088.099**	**4.466.063**

12.2. Information of finance lease contracts of the Parent Bank

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

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

13. Information on hedging purpose derivatives:

	Current Period(***)	
	TL	**FC**
Fair Value Hedge (*)	4.117.133	37.530
Cash Flow Hedge(**)	2.702.865	111.418
Net Investment Hedge	-	-
Total	**6.819.998**	**148.948**

	Prior Period	
	TL	**FC**
Fair Value Hedge (*)	1.964.761	28.732
Cash Flow Hedge(**)	910.958	33.675
Net Investment Hedge	-	-
Total	**2.875.719**	**62.407**

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2018, TL 31.027 (December 31, 2017 - TL 13.675) from securities, TL 2.049 (December 31, 2017 – TL 808) from funds borrowed, TL 4.454 (December 31, 2017- TL 14.249) from financial leasing, TL 4.117.133 (December 31, 2017 - TL 1.964.761) represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in loans. there is no fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in securities issued (December 31, 2017 – TL None).

(**) Represents the fair value of derivatives which are the hedging instruments of deposits and floating dividends' cash flow risk.

(***)At the current period, derivative financial assets for fair value hedge has shown at line 1.5.1. and derivative financial assets for cash flow hedge presented at line 1.5.2 in financial statements.

14. Explanations on tangible assets:

	Land and Buildings	Fixed Assets under Finance Lease	Vehicles	Other Fixed Assets	Total
Prior Period End					
Cost	1.543.868	271.510	1.937	1.411.435	3.228.750
Accumulated Depreciation(-)	49.398	245.111	1.758	989.690	1.285.957
Net Book Value	**1.494.470**	**26.399**	**179**	**421.745**	**1.942.793**
Current Period End					
Cost at the Beginning of the Period	**1.543.868**	**271.510**	**1.937**	**1.411.435**	**3.228.750**
Additions (*)	877.212	20.583	2.086	164.617	1.064.498
Transfer(-)	-	-	-	-	-
Disposals (-)	530	-	197	15.657	16.384
Impairment (-)/ (increase)	(402)	-	-	-	(402)
Current Period Cost	**2.420.148**	**292.093**	**3.826**	**1.560.395**	**4.276.462**
Accumulated Depreciation at the Beginning of the Period	**49.398**	**245.111**	**1.758**	**989.690**	**1.285.957**
Disposals (-)	-	-	197	14.796	14.993
Transfer (-)	-	-	-	-	-
Depreciation amount	11.825	2.461	357	121.855	136.498
Accumulated Depreciation at the End of the Period (-)	**61.223**	**247.572**	**1.918**	**1.096.749**	**1.407.462**
Net Book Value at the End of the Period	**2.358.925**	**44.521**	**1.908**	**463.646**	**2.869.000**

(*)As mentioned in Section 5 footnote 5.1.d, the fair value currency difference income of 852.714 TL (the amortized) that belongs to the real estate, subject to the accounting of protection from the fair value risk by the Bank, is shown in the "Entries" line of the Financial Fixed Assets movement table.

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

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

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

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss of TL 402 has been booked. (December 31, 2017 - TL 288 impairment loss has been booked).

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

None (December 31, 2017- None).

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

None (December 31, 2017- None).

15. Explanations on Intangible Assets:

	Rights	Goodwill	Total
Prior Period End			
Cost	1.008.105	-	1.008.105
Accumulated Amortization(-)	669.344	-	669.344
Net Book Value	**338.761**	**-**	**338.761**
Current Period End			
Cost at the Beginning of the Period	**1.008.105**	**-**	**1.008.105**
Costs related to acquisition of subsidiary	-	-	-
Additions	193.838	-	193.838
Disposals (-)	3	-	3
Value Decrease (-)/ (increase)	-	-	-
Current Period Cost	**1.201.940**	**-**	**1.201.940**
Acc. Amort. At the Beginning of the Period	**669.344**	**-**	**669.344**
Accrued amortization related to acquisition of subsidiary	-	-	-
Disposals(-)	40	-	40
Amortization charge	121.436	-	121.436
Current Period Accumulated Amortization(-)	**790.740**	**-**	**790.740**
Net Book Value-End of the Period	**411.200**	**-**	**411.200**

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).

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

d) The book value of intangible fixed assets that are pledged or restricted for use:

None (December 31, 2016- None).

e) Amount of purchase commitments for intangible fixed assets:

None (December 31, 2017- None).

f) Information on revalued intangible assets according to their types:

None (31 December 2017- None).

g) Amount of total research and development expenses recorded in income statement within the period if any:

Amount of total research expenses recorded in income statement within the period is TL 11.812 (December 31, 2017– TL 7.559).

h) Positive or negative consolidation goodwill on entity basis:

None (December 31, 2017 – None).

16. Explanations on investment property

None (December 31, 2017- None).

17. Information on tax asset

As of December 31, 2018, the Parent Bank has deferred tax asset amounting to TL 618.081.

According to TAS 12, deferred tax assets and liabilities are netted off in the financial statements. As of 31 December 2018, the carrying amount of the assets and liabilities in the balance sheet and the tax basis determined in accordance with the tax legislation and deferred tax asset amounting to TL 1.552.065 calculated over the amounts to be taken into consideration in the calculation of financial profit / loss in the following periods and deferred tax liability amounting to TL 933.984 which are calculated over the amounts to be taken into consideration in the calculation of financial profit / loss in the following periods.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax assets amounting to TL 77.543 are netted under equity. (December 31, 2017 – TL 18.606 deferred tax assets).

	Temporary Differences		**Deferred Tax Assets/(Liabilities)**	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Provision for Employee Rights	452.523	379.809	99.264	83.877
Difference Between the Book Value of Financial Assets and Tax Base	2.676.781	510.067	574.438	123.869
Other	4.004.908	871.924	878.363	189.024
Deferred Tax Assets			**1.552.065**	**396.770**
Difference Between the Book Value Financial	(258.548)	(234.253)	(56.846)	(847.422)
Fixed Assets and Tax Base	(3.287.163)	(997.362)	(716.346)	(229.135)
Difference Between the Book Value of	(732.184)	(630.430)	(160.792)	(134.070)
Other			**(933.984)**	**(410.627)**
Deferred Tax Liabilities			**618.081**	**(13.857)**

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

	Current Period 01.01-31.12.2018	Prior Period 01.01-31.12.2017
Deferred Tax as of January 1 Asset/ (Liability)- Net	472.654	66.967
Deferred Tax (Loss) / Gain	105.061	6.271
Deferred Tax that is Realized Under Shareholder's Equity	40.366	(87.095)
Deferred Tax Asset/ (Liability) – Net	**618.081**	**(13.857)**

18. Information on assets held for sale and discontinued operations

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

19. Information on other assets:

19.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Collateral Given for Derivative Transactions	2.175.101	538.740
Assets Held for Resale (net)	879.983	361.684
Other Prepaid Expenses	692.718	572.388
Miscellaneous Receivables	319.200	291.355
Cheques Receivables from Other Banks	714.694	72.281
Prepaid rent expenses	44.817	34.454
Prepaid Agency Commissions	15.608	12.460
Advances Given	7.522	3.847
Other	100.505	73.700
Total	**4.950.148**	**1.960.909**

19. 2 If other assets exceed 10% of total assets, excluding off balance sheet commitments, the names and the balances of these accounts, the name and the amount of the subaccounts which create at least 20% of them are:

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

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

20. Accrued interest and income

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

	Current Period	
	TL	**FC**
Derivative Financial Assets	11.632.619	768.710
Loans	2.533.148	364.154
Securities Measured at Amortized Cost	942.576	69.946
Financial Assets Measured at Fair Value through Other Comprehensive Income	101.449	(331.209)
Central Bank	60.220	-
Leasing Receivables	16.800	24.567
Banks	279	-
Financial Assets Measured at Fair Value through Profit/Loss	339	(58)
Other Accruals	13.337	8.260
Total	**15.300.767**	**904.370**

	Prior Period	
	TL	**FC**
Derivative Financial Assets Held for Hedging	2.875.719	62.407
Trading Purpose Derivatives	2.258.281	245.861
Loans	1.030.162	297.163
Securities Measured at Amortized Cost	167.886	46.918
Financial Assets Measured at Fair Value through Other Comprehensive Income	54.368	29.369
Central Bank	36.002	-
Leasing Receivables	13.154	14.632
Banks	1.451	97
Trading Securities	2.563	36
Other Accruals	8.400	6.090
Total	**6.447.986**	**702.573**

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

SECTION FIVE

II. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity structure of deposits:

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	**2.947.836**	**-**	**4.403.875**	**16.913.430**	**4.014.224**	**1.658.762**	**2.408.105**	**1.782**	**32.348.014**
Foreign Currency Deposits	**7.995.756**	**-**	**2.407.375**	**22.134.039**	**1.565.763**	**1.394.003**	**1.152.070**	**-**	**36.649.006**
Residents in Turkey	7.751.152	-	2.394.949	21.580.333	1.485.330	1.328.027	886.352	-	35.426.143
Residents Abroad	244.604	-	12.426	553.706	80.433	65.976	265.718	-	1.222.863
Public Sector Deposits	**313.443**	**-**	**472**	**5.062**	**346**	**-**	**148**	**-**	**319.471**
Commercial Deposits	**2.088.318**	**-**	**2.802.222**	**4.459.722**	**1.177.734**	**218.963**	**480.501**	**-**	**11.227.460**
Other Ins. Deposits	**50.543**	**-**	**39.436**	**597.919**	**27.309**	**18.487**	**8.473**	**-**	**742.167**
Precious Metal Deposits	**1.724.647**	**-**	**-**	**43.459**	**1.525**	**10.188**	**82.694**	**-**	**1.862.513**
Bank Deposits	**555.547**	**-**	**272.549**	**2.007.939**	**802.759**	**37.747**	**1.044**	**-**	**3.677.585**
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	21.317	-	194.667	-	-	6.187	-	-	222.171
Foreign Banks	45.049	-	77.882	2.007.939	802.759	31.560	1.044	-	2.966.233
Participation Banks	489.181	-	-	-	-	-	-	-	489.181
Other	-	-	-	-	-	-	-	-	-
Total	**15.676.090**	**-**	**9.925.929**	**46.161.570**	**7.589.660**	**3.338.150**	**4.133.035**	**1.782**	**86.826.216**

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	**2.841.194**	-	**2.664.643**	**16.185.117**	**1.001.997**	**391.611**	**1.178.780**	**2.367**	**24.265.709**
Foreign Currency Deposits	**5.823.343**	-	**2.378.212**	**18.324.339**	**1.449.750**	**904.862**	**673.011**	**225**	**29.553.742**
Residents in Turkey	5.689.894	-	2.349.762	17.934.971	1.393.954	876.098	502.143	213	28.747.035
Residents Abroad	133.449	-	28.450	389.368	55.796	28.764	170.868	12	806.707
Public Sector Deposits	**112.977**	**-**	**2.509**	**13.989**	**97**	**8**	**119**	-	**129.699**
Commercial Deposits	**2.649.439**	**-**	**2.551.196**	**2.936.396**	**297.440**	**323.156**	**789.212**	-	**9.546.839**
Other Ins. Deposits	**56.387**	**-**	**34.530**	**185.822**	**159.759**	**67.049**	**566**	-	**504.113**
Precious Metal Deposits	**1.111.916**	**-**	**-**	**17.196**	**354**	**-**	**68.928**	-	**1.198.394**
Bank Deposits	**129.280**	**-**	**673.759**	**1.256.275**	**136.335**	**69.007**	**80.223**	-	**2.344.879**
T.R. Central Bank	-	-	609.785	-	-	-	-	-	609.785
Domestic Banks	29.205	-	2.008	15.895	4.089	-	-	-	51.197
Foreign Banks	52.199	-	61.966	1.240.380	132.246	69.007	80.223	-	1.636.021
Participation Banks	47.876	-	-	-	-	-	-	-	47.876
Other	-	-	-	-	-	-	-	-	-
Total	**12.724.536**	-	**8.304.849**	**38.919.134**	**3.045.732**	**1.755.693**	**2.790.839**	**2.592**	**67.543.375**

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

1.1. Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	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	-	-	-	-
Toplam	**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 headquarter of the Group is not located abroad.

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

	Current Period	Prior Period
Deposits and accounts in branches abroad	14.541	7.440
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	71.157	15.440
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2024.	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	**85.698**	**22.880**

2. Information on trading purpose derivatives:

a) Negative value of trading purpose derivatives

	Current Period(*)		Prior Period	
	TL	FC	TL	FC
Forwards	132.707	65.035	83.786	-
Swaps	5.163.588	225.206	1.787.821	175.993
Futures	-	2.596	-	103
Options	477	141.101	275	22.266
Other	-	-	-	-
Total	**5.296.772**	**433.938**	**1.871.882**	**198.362**

(*)Current period derivative financial liabilities for trading purposes are presented in line 7.1 in the financial statements.

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

3. Information on funds borrowed:

a) Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
T.R. Central Bank Loans	-	-	-	-
Domestic Banks and Institutions	710.513	981.566	813.435	459.170
Foreign Banks, Institutions and Funds	391.508	18.468.646	641.546	16.097.875
Total	**1.102.021**	**19.450.212**	**1.454.981**	**16.557.045**

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-Term	612.112	3.700.582	812.291	5.770.207
Medium and Long-Term	489.909	15.749.630	642.690	10.786.838
Total	**1.102.021**	**19.450.212**	**1.454.981**	**16.557.045**

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

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

As of December 31, 2018, the Group's liabilities comprise; 53% deposits (December 31, 2017 – 51%), 13% funds borrowed (December 31, 2017– 14%), 7% issued bonds (December 31, 2017 – 8%) and 3% money market placements(December 31, 2017 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From domestic transactions	**237.136**	**-**	**1.852.178**	**-**
Financial institutions and organizations	72.397	-	1.790.023	-
Other institutions and organizations	155.425	-	15.494	-
Real persons	9.314	-	46.661	-
From foreign transactions	**1.349**	**4.622.546**	**6.724**	**4.631.256**
Financial institutions and organizations	-	4.622.546	-	4.631.256
Other institutions and organizations	1.349	-	6.724	-
Real persons	-	-	-	-
Total	**238.485**	**4.622.546**	**1.858.902**	**4.631.256**

Debts to Money market does not include debt balances to Takasbank Money Exchange amounted to TL 472.641 (December 31,2017 None.)

5. Information on securities issued (Net):

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Bank Bonds	3.483.249	1.456.981	4.208.176	57.156
Asset backed securities (*)	436.650	-	-	-
Bills	164.275	6.308.922	195.169	5.937.524
Total	**4.084.174**	**7.765.903**	**4.403.345**	**5.994.680**

(*)The amount of the issuance of asset-backed securities issued by QNB Finans Finansal Kiralama amounting to TL 200,000 on 14 February 2018, TL 200.000 on 28 May 2018 and TL 36.650 on 20 June 2018. The maturity of these issues is 12 February 2020, 27 May 2020 and 17 June 2020 respectively.

As of December 31, 2018 The Parent Bank has government bond issue program (Global Medium Term Note Programme) amounting to USD 5 Billion.

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

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

Other liabilities does not exceed 10% of total liabilities excluding the off-balance sheet items (December 31, 2017 – Does not exceed 10%).

7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

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

7.1. Changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (December 31, 2017 – None).

7.2. Financial lease payables

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

7.3. Information on operational lease

Operational lease payments are recognized as an expense in the income statement on a straight-line basis over the lease terms. The Bank arranges operating lease arrangements for some of its ATM and branches. The lease contract is done on a yearly basis and the payment is made upfront each year and realized as an expense under the “Other Assets” account.

7.4. Information on “Sale -and- lease back” agreements

The Group does not have any sale-and-lease back transactions in the current period (December 31, 2017 – None).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period(***)	
	TL	**FC**
Fair Value Hedge (*)	155.054	228.252
Cash Flow Hedge (**)	159.675	176.498
Net Investment Hedge	-	-
Total	**314.729**	**404.750**

	Prior Period	
	TL	**FC**
Fair Value Hedge (*)	16.615	204.528
Cash Flow Hedge (**)	280.204	34.727
Net Investment Hedge	-	-
Total	**296.819**	**239.255**

(*) Derivative financial instruments for hedging purposes include swaps. As of December 31, 2018, TL 181.259 (December 31, 2017 – TL 41.598) loan portfolio, TL 8.179 (December 31, 2017 – TL 4.056) issued bonds, TL 181.279 (December 31, 2017 –TL 168.798) the securities, and TL 12.589 (December 31, 2017 – TL 6.691) leasing transactions, represents the fair value of derivatives instruments which are the hedging instruments of fair value hedge.

(**) Represents the fair value of derivatives which are the hedging instruments of deposits and floating dividends’ cash flow risk.

(***) At the current period, derivative financial liabilities for fair value hedge has shown at the line 7.1 in financial statements and derivative financial liabilities for cash flow hedge has shown at the line 7.2 in financial statements.

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

9. Information on provisions

9.1. Information on general provisions

	Current Period
Provisions for Off Balance Sheet Commitments(*)	140.969
Total	**140.969**

(*) As of December 31, 2018 provisions for non-cash loans in group III represented at line 9.5 in liabilities table with the adoption of TFRS 9.

	Prior Period
Provisions for Loans and Receivables in Group I	1.125.989
Provisions for Loans and Receivables in Group II	120.163
Provisions for Non - Cash Loans	91.845
Other	59.270
Total	**1.397.267**

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

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

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

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

The specific provision for non-cash loans which are related with the non-performing cash loans in arrears or the loans which were written off from balance sheet is TL 50.116 (December 31, 2017 - TL 45.014).

9.4. Information on employee termination benefits and unused vacation accrual

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

As of December 31, 2018, TL 181.087 (December 31, 2017 - TL 182.089) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2018, the Group accrued TL 48.169 (December 31, 2017 - TL 46.042) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2018, TL 223.267 (December 31, 2017– TL 151.679) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

9.4.1 Movement of employee termination benefits

	Current Period 01.01-31.12.2018	Prior Period 01.01-31.12.2017
As of January 1	182.090	144.405
Service cost	24.207	19.404
Interest Cost	20.755	15.957
Settlement / curtailment / termination loss	7.341	10.203
Actuarial differences	(19.691)	32.989
Paid during the period	(33.615)	(40.869)
Total	**181.087**	**182.089**

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

9.5. Information on other provisions

9.5.1 Information on provisions for possible risks

Apart from the information provided in 9.3, the other provisions are given below as follows:

	Current Period	Prior Period
Other Provision for Close Monitoring Loans Portfolio(*)	-	108.450
Provision for Promotion Expenses of Credit Cards	10.982	9.356
Other Provisions	221.587	153.086
Total	**232.569**	**270.892**

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

10. Explanations on Tax Liabilities

10.1 Information on current tax liability

10.1.1 Information on tax provision

As of December 31, 2018, the Group has current tax liability of TL 802.797 (December 31, 2017 - TL 475.297) and as of December 31, 2018, the Group has any prepaid tax (December 31, 2017 - TL 55.739).

The current tax liability and the prepaid taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of December 31, 2018, after the offsetting, the current tax liability amounting to TL 159.866 (December 31, 2017 – TL 419.559) is disclosed with current tax receivable TL 77.001 (December 31, 2017– TL 12.181)

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	159.866	419.559
Taxation on Securities Income	70.842	56.775
Taxation on Real Estates Income	2.349	1.953
Banking and Insurance Transaction Tax (BITT)	103.829	65.519
VAT Payable	6.008	154
Other	29.414	25.771
Total	**372.308**	**569.731**

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

10.1.3. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	10.156	21.365
Social Security Premiums - Employer Share	11.078	18.871
Pension Fund Fee and Provisions – Employee Share	14	11
Pension Fund Fee and Provisions – Employer Share	44	37
Unemployment Insurance - Employee Share	714	1.245
Unemployment Insurance - Employer Share	1.428	2.486
Other	35	34
Total	**23.469**	**44.049**

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

10.2. Information on Deferred Tax Liabilities

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

According to TAS 12, deferred tax assets and liabilities are netted off in the financial statements. As of December 31, 2018, the Parent Bank has calculated a deferred tax asset amounting to TL 1.552.065, which is calculated on the basis of the book value of the assets and liabilities in the financial statements and the tax basis determined in accordance with the tax legislation and the amounts to be taken into consideration in the calculation of financial profit in the following periods. TL 933.984 of the deferred tax liability is netted off.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax assets amounting to TL 77.543 are netted under equity. (December, 31 2017– TL 18.606 deferred tax assets).

	Accumulated Temporary Differences		**Deferred Tax Assets/(Liabilities)**	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Provision for Employee Rights	452.523	379.809	99.264	83.877
Difference Between the Book Value of Financial Assets and Tax Base	2.676.781	510.067	574.438	123.869
Other	4.004.908	871.924	878.363	189.024
Deferred Tax Assets			**1.552.065**	**396.770**
Difference Between the Book Value Financial Fixed Assets and Tax Base	(258.548)	(234.253)	(56.846)	(847.422)
Difference Between the Book Value of Financial Assets and Tax Base	(3.287.163)	(997.362)	(716.346)	(229.135)
Other	(732.184)	(630.430)	(160.792)	(134.070)
Deferred Tax Liabilities			**(933.984)**	**(410.627)**
Deferred Tax Assets/(Liabilities), Net			**618.081**	**(13.857)**

	Current Period 01.01-31.12.2018	**Prior Period 01.01-31.12.2017**
Deferred Tax as of January 1 Asset/ (Liability)- Net	472.654	66.967
Deferred Tax (Loss) / Gain	105.061	6.271
Deferred Tax that is Realized Under Shareholder's Equity	40.366	(87.095)
December 31 Deferred Tax Asset/ (Liability) - Net	**618.081**	**(13.857)**

11. Information on payables related to assets held for sale

None (December 31, 2017- None).

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

12. Information on subordinated loans

	Current Period		Prior Period	
g	**TL**	**FC**	**TL**	**FC**
Debt Instruments subject to common equity	**-**	**-**	**-**	**-**
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Insturments subject to tier 2 common equity	**-**	**4.816.098**	**-**	**3.510.837**
Subordinated Loans	-	4.816.098	-	3.510.837
Subordinated Debt Instruments	-	-	-	-
Total	**-**	**4.816.098**	**-**	**3.510.837**

On June 29, 2018, the subordinated loan of US $ 325 million was renewed as the current valuation 2028 in line with Basel III.

13. Information on shareholder's equity

13.1. Paid-in capital

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

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

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

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

None (December 31, 2017 – TL 200.000).

13.4 Information on share capital increases from revaluation funds

None (December 31, 2017 - None).

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

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

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

None (December 31, 2017 - None).

13.7 Information on the privileges given to stocks representing the capital

None (December 31, 2017 - None).

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

14. Common stock issue premiums, shares and equity instruments

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

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

15. Marketable securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control	**-**	**-**	**-**	**-**
Valuation Differences	-	-	-	-
Foreign Exchange Rate Differences	-	-	-	-
Securities Available-for-Sale	**80.775**	**(534.108)**	**(53.163)**	**(176.412)**
Valuation Differences	80.775	(534.108)	(53.163)	(176.412)
Foreign Exchange Rate Differences	-	-	-	-
Total	**80.775**	**(534.108)**	**(53.163)**	**(176.412)**

16. Accrued interest and expenses

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

	Current Period	
	TL	FC
Derivative Financial Liabilities	5.451.826	662.190
Deposits	643.659	86.485
Funds Borrowed	34.733	182.567
Money Market Borrowings	173	23.636
Issued Securities	4.675	52.478
Other Accruals	147.980	149.556
Total	**6.283.046**	**1.156.912**

	Prior Period	
	TL	FC
Deposits	358.719	57.098
Derivative Financial Liabilities Held for Trading	1.871.882	198.362
Funds Borrowed	21.436	127.421
Money Market Borrowings	1.900	16.306
Derivative Financial Liabilities Held for Hedging	296.819	239.255
Issued Securities	4.269	45.746
Other Accruals	120.130	407
Total	**2.675.155**	**684.595**

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

SECTION FIVE

III. Explanations And Disclosures Related To Consolidated Off-Balance Sheet Items

1. Information related to consolidated off-balance sheet contingencies

1.1. Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	22.362.300	17.115.833
Commitment For Use Guaranteed Credit Allocation	10.852.185	9.774.575
Payment Commitments for Cheques	2.181.264	2.754.045
Forward Asset Purchase Commitments	2.146.211	2.790.244
Other Irrevocable Commitments	1.188.454	1.056.395
Commitments for Promotions Related with Credit Cards and Banking Activities	29.958	45.880
Tax and Fund Liabilities due to Export Commitments	28.728	15.358
Total	**38.789.100**	**33.552.330**

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

Specific provision is provided for the non-cash loans amounting to TL 50.116 (December 31, 2017 – TL 45.014) followed in the off-balance sheet accounts that are not indemnified and not liquidated yet.

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

	Current Period	Prior Period
Bank Loans	4.476.254	3.012.892
Other Letters of Guarantee	1.727.806	1.783.291
Total	**6.204.060**	**4.796.183**

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

	Current Period	Prior Period
Provisional Letters of Guarantee	679.218	920.541
Final Letters of Guarantee	7.374.286	6.387.607
Advance Letters of Guarantee	1.422.077	822.037
Letters of Guarantee Given to Customs Offices	407.385	457.444
Other Letters of Guarantee	7.602.220	5.931.237
Total	**17.485.186**	**14.518.866**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	**3.913.293**	**2.315.378**
Less Than or Equal to One Year with Original Maturity	1.305.237	681.540
More Than One Year with Original Maturity	2.608.056	1.633.838
Other Non-Cash Loans	**19.775.953**	**16.999.671**
Total	**23.689.246**	**19.315.049**

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

3. Information on risk concentration in sector terms in non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	**28.886**	**0,33**	**40.184**	**0,27**	**44.952**	**0,51**	**2.855**	**0,03**
Farming and Raising Livestock	28.886	0,33	22.864	0,15	40.054	0,45	-	-
Forestry	-	-	-	-	2.375	0,03	-	-
Fishing	-	-	17.320	0,12	2.523	0,03	2.855	0,03
Manufacturing	**2.318.397**	**26,51**	**7.534.257**	**50,42**	**1.261.085**	**14,27**	**4.430.301**	**42,29**
Mining and Quarrying	14.211	0,16	25.627	0,17	48.598	0,55	36.769	0,35
Production	2.156.385	24,66	6.766.518	45,28	990.927	11,21	3.888.686	37,12
Electricity, gas and water	147.801	1,69	742.112	4,97	221.560	2,51	504.846	4,82
Construction	**2.953.023**	**33,77**	**1.791.908**	**11,99**	**2.769.132**	**31,33**	**782.143**	**7,47**
Services	**2.718.719**	**31,09**	**5.483.620**	**36,69**	**4.095.605**	**46,33**	**2.555.222**	**24,39**
Wholesale and Retail Trade	932.803	10,67	1.252.602	8,38	2.475.606	28,01	954.016	9,11
Hotel, Food and Beverage Services	109.159	1,25	687.370	4,60	75.523	0,85	85.148	0,81
Transportation&Communication	307.762	3,52	1.087.830	7,28	193.455	2,19	280.352	2,67
Financial Institutions	1.031.711	11,80	1.619.277	10,84	773.612	8,75	838.847	8,01
Real Estate and Renting Services	-	-	236	-	8.232	0,09	611	0,01
Self Employment Services	96.221	1,10	24.265	0,16	274.603	3,11	36.769	0,35
Educational Services	5.832	0,07	6.028	0,04	6.262	0,07	-	-
Health and Social Services	235.231	2,68	806.012	5,39	288.312	3,26	359.479	3,43
Other	**725.792**	**8,30**	**94.460**	**0,63**	**668.642**	**7,56**	**2.705.112**	**25,82**
Total	**8.744.817**	**100,00**	**14.944.429**	**100,00**	**8.839.416**	**100,00**	**10.475.633**	**100,00**

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

Current Period (*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	8.565.050	8.715.903	163.828	40.405
Bill of Exchange and Acceptances	15.820	4.455.338	-	5.096
Letters of Credit	119	1.723.573	-	4.114
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**8.580.989**	**14.894.814**	**163.828**	**49.615**

(*) Does not include non-cash loans amounting to TL 50.116, for which specific provision is provided, but which are not indemnified and not liquidated yet.

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

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

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

5. Information related to derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**111.507.211**	**121.722.064**
Forward transactions (*)	9.245.005	13.453.085
Swap transactions	89.696.716	100.407.541
Futures transactions	237.014	209.931
Option transactions	12.328.476	7.651.507
Interest Related Derivative Transactions (II)	**41.650.654**	**20.280.668**
Forward rate transactions	0	-
Interest rate swap transactions	41.650.654	20.280.668
Interest option transactions	0	-
Futures interest transactions	0	-
Security option transactions	0	-
Other trading derivative transactions (III)	**815.440**	**628.716**
A. Total Trading Derivative Transactions (I+II+III)	**153.973.305**	**142.631.448**
Types of hedging transactions		
Fair value hedges	24.232.920	19.147.014
Cash flow hedges	41.249.602	35.382.276
Net investment hedges		-
B. Total Hedging Related Derivatives	**65.482.522**	**54.529.290**
Total Derivative Transactions (A+B)	**219.455.827**	**197.160.738**

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

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

Current Period	Forward Buy (**)	Forward Sell(**)	Swap Buy (*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
TL	1.586.501	1.358.560	17.160.920	33.366.298	2.341.028	3.164.010	-	-	-
USD	1.319.717	2.473.590	68.271.283	41.998.934	2.748.096	2.370.999	118.507	118.507	815.440
Euro	1.690.980	733.850	14.489.926	19.163.409	1.009.924	575.077	-	-	-
Other	34.998	46.809	2.354.769	24.353	31.116	88.226	-	-	-
Total	**4.632.196**	**4.612.809**	**102.276.898**	**94.552.994**	**6.130.164**	**6.198.312**	**118.507**	**118.507**	**815.440**

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

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

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

5.1. Fair value hedge accounting

a) Loans

The Parent Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TL 6.055.337 (December 31, 2017 – TL 4.757.337) were subject to hedge accounting by swaps with a nominal of TL 6.922.598 (December 31, 2017 – TL 4.973.074). On December 31, 2018 the net market valuation difference gain amounting to TL 1.576 due to the loss from the loans amounting to TL 173.133 (December 31, 2017 – TL 5.235 loss) and gain from swaps amounting to TL 171.750 (December 31, 2017 – TL 36.696 gain) gain is accounted for under "gain / (loss) from financial derivatives transactions" line in the accompanying financial statements.

As of balance sheet date fixed interest rate project finance loans amounting to TL 223.858 (December 31, 2017 – TL 188.632) have been subject to hedge accounting with swaps with a nominal amount of TL 210.304 (December 31, 2017 – TL 179.136). In 2018 TL 823 net fair valuation difference gain, net of TL 1.980 (December 31, 2017 – TL 2.014 loss) gain from loans and TL 1.158 (December 31, 2017 – TL 818 gain) loss from swaps has been recorded under "Gains / (loss) from financial derivatives transactions" on accompanying financial statements.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 51.313 (December 31, 2017 – TL 9.606) related to the loans that are ineffective for hedge accounting under "gain / (loss) from financial derivatives transactions" as loss during the current period.

b) Financial Assets Measured at Fair Value through Other Comprehensive Income

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Parent Bank using swaps as hedging instruments. As at the balance sheet date; Eurobonds with a nominal of USD 404,7 million and EUR 75,4 million (December 31, 2017 – USD 371,7 million and EUR 75,4 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2018, the net market valuation difference gain amounting to TL 12 due to loss from Eurobonds amounting to TL 6.814 (December 31, 2017 – TL 4.794 gain) and gain from swaps amounting to TL 6.826 (December 31, 2017 – TL 5.739 loss) is accounted for under "gain / (loss) from financial derivatives transactions" line in the accompanying financial statements. The Parent Bank does not apply fair value hedge on TL government bonds in the current period (December 31, 2017 – None).

c) Bonds issued

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 283 million (December 31, 2017 – USD 283 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2018, TL 179 net fair valuation difference loss, net of TL 1.142 (December 31, 2017 – TL 6.669 gain) gain from issued bonds and TL 1.321 (December 31, 2017 – TL 6.402 loss) loss from swaps, has been recorded under "Gain / (loss) from financial derivatives transactions" on accompanying financial statements.

QNB Finans Finansal Kiralama AŞ., the subsidiary of The Parent Bank, applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the TL bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of TL 54.950 (December 31, 2017 – TL 343.140) have been subject to hedge accounting with the same amount of swaps. As of December 31, 2018, TL 8 (December 31, 2017 – TL 254 net fair value difference loss) net fair valuation difference gain, net of 109 (December 31, 2017 – TL 338 loss) loss from swaps, has been recorded under "Gain/ (loss) from financial derivatives transactions" on accompanying financial statements.

d) Borrowings

The Parent Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2017- EUR 30 million) is subjected to hedge accounting with a swap having the same amount. As of December 31, 2018, a net mark to market difference loss at an amount of TL 11 (December 31, 2017- TL 13 gain) sourcing from loss at an amount of TL 1.239 (December 31, 2017 – TL 521 gain) from aforementioned credit and gain at an amount of TL 1.228 (December 31, 2017 – TL 508 loss) from swaps is recognized under "Gain/Loss from Derivative Financial Transactions."

QNB Finans Finansal Kiralama AŞ., the subsidiary of The Parent Bank, implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate TL credits used. Credit at an amount of TL 49.988 (December 31, 2017 – TL 149.988) is subjected to hedge accounting with a swap having same amount. A net mark to market difference loss at an amount of TL 495 (December 31, 2017 - TL 365 net mark to market difference loss) sourcing from gain at an amount of TL 467 (December 31, 2017 – TL 2.775 gain) from aforementioned credit and loss at an amount of TL 495 (December 31, 2017 – TL 3.140 loss) from swaps is recognized under "Gain/Loss from Derivative Financial Transactions."

5.2 Cash flow hedge accounting

a) Deposit

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity of 3 months, the Bank implements cash flow hedge accounting with interest rate swaps. The Parent Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 2.150.000 are subject to hedge accounting as hedging instruments (December 31, 2017 – TL 5.210.000). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 37.446 are accounted for under equity during the current period (December 31, 2017 – TL 106.616 gain). The amounts for the ineffective portion of revenues in the amount of TL 795 gain is associated with the income statement (December 31, 2017 – TL 676 gain).

As of the balance sheet date, swaps with a nominal amount of USD 2.519 (December 31, 2017 – USD 2.753 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 289 million (December 31, 2017 – EUR 319 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value gain before taxes amounting to TL 181.006 are accounted under equity during the current period (December 31, 2017 – TL 121.387 gain). The gain amounting to TL 1.302 (December 31 2017 – TL 248 gain) relating to the ineffective portion is accounted under at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness at periods when the expected cash flows subject to hedge accounting affect profit or loss (as in periods when interest income or expense is recognized). In the current period there is loss of TL 4.969 transferred amount from equity to income statement due to ineffectiveness or matured swaps (December 31, 2017 – TL 1.327 loss).

b) Subordinated Loans

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to USD 810 million are subject to hedge accounting as hedging instruments (December 31, 2017 – USD 260 million). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 6.909 are accounted for under equity during the current period (December 31, 2017- TL 11.673 gain). There is gain amount to TL 83 loss related to the ineffective portion.

As of 31 December 2018, the above mentioned cash flow hedge transactions were effective.

c) Funds Borrowed

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies cash flow hedge accounting through interest rate swaps to hedge its interest rate fluctuations on floating rate foreign currency denominated loans. The Company applies efficiency tests for hedge accounting at each balance sheet date and the effective portions are accounted for under the "Interest Protection Funds" account item under equity under the financial statements as defined in TAS 39 and the amount related to the ineffective portion is associated with the income statement. As of the balance sheet date, swaps amounting to TL 442.239 (December 31, 2017 – TL 48.227) are subject to risk protection accounting as a hedge of risk. As a result of the related hedge accounting, fair value loss of TL 753 (December 31, 2017 – 58 loss) before tax is recognized under equity in the current period. The income amounting to TL 7.293 for the ineffective portion is associated with the income statement (December 31, 2017- 2 loss).

The measurements as of December 31, 2018, hedge of cash flow transactions stated above are determined as effective.

6. Credit derivatives and risk exposures on credit derivatives

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

As of December 31, 2018, "Other Derivative Financial Instruments" with nominal amount of USD 155.000.000 (December 31, 2017: USD 165.000.000) are included in Bank's "Swap Interest Sell Transactions." In aforementioned transaction, The Bank is the seller of the protection for USD 155.000.000.

7. Information on contingent liabilities and assets

The Parent Bank has recorded a provision of TL 117.185 (December 31, 2017 - TL 44.781) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account (Section Five, part II.9.5). Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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

MOODY'S December 2018		FITCH December 2018		CI December 2018	
Long-Term Deposit Rating (FC)	B2	Long -Term Foreign Curr.	BB-	Long-Term Foreign Curr.	BB-
Long-Term Deposit Rating (TL)	Ba3	Short-Term Foreign Curr.	B	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	BB	FC Appearance	Negative
Short-Term Deposit Rating (TL)	NP	Short-Term TL	B	Financial Strength Rating	BB+
Main Credit Evaluation	b2	Long-Term National	AA(tur)	Financial Strength Appearance	Negative
Adjusted Main Credit Evaluation	ba3	Appearance	Negative	Support	2
Appearance	Negative	Long-Term Foreign Currency Denominated Debt	BB-		
Long-Term Foreign Currency Denominated Debt (FC)	Ba3	Support	3		
		Financial Capacity Rating	b+		

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

SECTION FIVE

IV. Explanations And Disclosures Related To Consolidated Income Statement

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	5.360.978	115.446	3.430.512	61.137
Medium and Long-Term Loans	6.383.610	1.443.979	4.983.431	754.036
Non-Performing Loans	101.211	-	83.175	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total(*)	**11.845.799**	**1.559.425**	**8.497.118**	**815.173**

(*)Includes fees and commissions income from cash loans.

b) Information on interest income from banks:

	Current Period		Prior Per	
	TL	FC	TL	FC
T.R. Central Bank (*)	-	-	-	1
Domestic Banks	157.670	595	186.465	444
Foreign Banks	3.147	40.231	2.169	12.959
Foreign Headquarters and Branches	-	-	-	-
Total	**160.817**	**40.826**	**188.634**	**13.404**

(*) The interest income on Required Reserve amounting TL 200.684 excluded from interest income on Banks. (December 31, 2017: TL 113.120).

c) Information on interest income from securities portfolio

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss	1.829	423
Financial Assets Measured at Fair Value through Other Comprehensive Income	643.642	177.000
Financial Assets Measured at Amortized Cost	1.474.184	254.652
Total	**2.119.655**	**432.075**

	Prior Period	
	TL	FC
Held-for-Trading Financial Assets	4.848	496
Financial Assets at FVTPL	1.854	44
Investment Securities Available for Sale	470.587	147.203
Investment Securities Held to Maturity	454.891	161.388
Total	**932.180**	**309.131**

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary. The estimated inflation rate used in the valuation of these securities has been updated and updated according to the inflation rate of 25.24% as of 31 December 2018.

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

	Current Period	Prior Period
Interest income received from associates and subsidiaries	33.374	-

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

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks	**249.187**	**1.090.536**	**149.330**	**622.566**
T.R. Central Bank	-	-	-	-
Domestic Banks	184.113	28.677	86.414	14.676
Foreign Banks	65.074	1.061.859	62.916	607.890
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	**249.187**	**1.090.536**	**149.330**	**622.566**

(*) Includes fees and commissions expenses related to the cash loans.

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

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	34.885	61.609

c) Information on interest expense paid to securities issued:

As of December 31, 2018 the amount paid to securities issued is TL 1.047.798 (December 31, 2017 – TL 544.570).

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

d) Information on maturity structure of interest expenses on deposits:

Current Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	39.264	382	839	1.677	-	-	42.162
Saving Deposits	3	528.352	2.984.296	233.837	109.986	188.609	-	4.045.083
Public Sector Deposits	-	493	1.687	113	15	13	-	2.321
Commercial Deposits	156	476.465	542.771	61.017	57.086	91.675	-	1.229.170
Other Deposits	-	7.084	47.884	3.449	2.394	341	-	61.152
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**159**	**1.051.658**	**3.577.020**	**299.255**	**171.158**	**280.638**	**-**	**5.379.888**
Foreign Currency								
Deposits	3	53.044	812.914	51.152	52.114	27.161	-	996.388
Bank Deposits	326	71.865	20.545	970	515	-	-	94.221
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1.635	-	-	-	-	-	1.635
Total	**329**	**126.544**	**833.459**	**52.122**	**52.629**	**27.161**	**-**	**1.092.244**
Grand Total	**488**	**1.178.202**	**4.410.479**	**351.377**	**223.787**	**307.799**	**-**	**6.472.132**

Prior Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	49.209	3.115	-	-	-	-	52.324
Saving Deposits	1	224.056	1.808.348	119.927	51.389	116.413	-	2.320.134
Public Sector Deposits	-	402	3.160	211	18	13	-	3.804
Commercial Deposits	1	331.586	508.396	47.800	83.607	58.914	-	1.030.304
Other Deposits	-	5.929	43.732	9.728	28.138	469	-	87.996
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**2**	**611.182**	**2.366.751**	**177.666**	**163.152**	**175.809**	**-**	**3.494.562**
Foreign Currency								
Deposits	-	28.875	413.183	36.454	18.873	12.579	-	509.964
Bank Deposits	300	49.365	5.573	1.418	2.743	-	-	59.399
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	886	-	-	-	-	-	886
Total	**300**	**79.126**	**418.756**	**37.872**	**21.616**	**12.579**	**-**	**570.249**
Grand Total	**302**	**690.308**	**2.785.507**	**215.538**	**184.768**	**188.388**	**-**	**4.064.811**

e) Information on interest expenses on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Repurchase Agreements (*)	209.187	145.294	80.478	75.553

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

f) Information on finance lease expenses

None (December 31, 2017 – None).

g) Information on interest expenses on factoring payables

None (December 31, 2017 – None).

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

3. Information on dividend income:

	Current Period	Prior Period
Derivative Financial Assets at Fair Value Through Profit or Loss	966	308
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Other	4.750	1.146
Total	**5.716**	**1.454**

4. Information on trading income/loss

	Current Period	Prior Period
Trading Gain	**23.220.180**	**10.131.268**
Trading account gain	66.460	40.460
Gain from derivative transactions	12.726.166	5.918.663
Foreign exchange gain/losses	10.427.554	4.172.145
Trading Loss (-)	**24.442.347**	**11.273.756**
Losses on Capital Market Operations	49.236	31.153
Derivative Financial Instruments	12.023.619	7.097.033
Foreign Exchange Losses	12.369.492	4.145.570
Net Trading Income/Loss	**(1.222.167)**	**(1.142.488)**

5. Information on other operating income

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

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

6. Provision for losses on loans and other receivables

	Current Period
Expected Credit Losses Provisions	**2.158.806**
12 Month Expected Credit Loss (Stage I)	52.832
Significant Increase in Credit Risk (Stage 2)	675.373
Lifetime ECL Impaired Credits (Stage 3)	1.430.601
Marketable Securities Impairment Provision	**8.369**
Financial Assets Measured at Fair Value Through Profit/Loss	-
Financial Assets Measured at Other Comprehensive Income	8.369
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-
Investment in Associates	-
Subsidiaires	-
Joint Ventures	-
Other	**64.121**
Total	**2.231.296**

	Prior Period
Specific Provisions For Loans and Other Receivables	**1.094.464**
Loans and Receivables in Group III	349.076
Loans and Receivables in Group IV	197.116
Loans and Receivables in Group V	548.272
Other Provisions for Closely Monitored Loans	**68.549**
General Provisions	**108.870**
Provision for Free Reserves on Possible Losses	**-**
Impairment Losses on Securities	**-**
Financial assets at fair value through profit or loss	-
Investment Securities available for sale	-
Impairment Losses on Associates, Subsidiaries and Investment Securities Held-to-Maturity	**-**
Associates	-
Subsidiaries	-
Entities under common control	-
Investment securities held-to-maturity	-
Other	**(2.891)**
Total	**1.268.992**

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

7. Information on other operating expenses

	Current Period	Prior Period
Personnel expenses(*)	1.502.533	1.340.693
Reserve for employee termination benefits(*)	18.693	4.695
Bank social aid fund deficit provision	-	-
Impairment expenses on tangible fixed asset	402	-
Depreciation expenses on intangible fixed asset	136.498	141.206
Impairment expenses on intangible fixed asset	-	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible asset	121.436	114.509
Impairment expenses of equity participation for which equity method is applied	-	-
Impairment expenses of assets held for resale	-	-
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale	-	-
Other Operating Expenses	1.210.634	1.105.799
Operational Leasing expenses	*237.759*	*221.551*
Maintenance expenses	*186.095*	*150.123*
Advertiesment expenses	*94.868*	*94.197*
Other expenses	*691.912*	*639.928*
Loss on sales of assets	138	376
Other (**)	540.692	418.492
Total	**3.531.026**	**3.125.770**

(*) "Personnel Expenses", which is not included in "Other Operating Expenses" in the income statement as a separate item, is also included this table.

(**) Comprising repayments amounting to TL 8.915 (December 31, 2017 – TL 20.879) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income.

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

For the period ended December 31, 2018, net interest income of TL 7.877.781 (December 31, 2017 – TL 5.815.647), net fees and commission income of TL 2.252.137 (December 31, 2017 – TL 1.782.588) and other operating income of TL 75.007 (December 31, 2017 – TL 140.407) constitute an important part of the period income.

9. Explanations on tax provision for continued and discontinued operations

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

As of December 31, 2018, the Group recorded current tax charge of TL 802.797 (December 31, 2017 - TL 475.297 current tax charge) and a deferred tax charge of TL 105.061 (December 31, 2017 – TL 6.271 deferred tax loss).

	Current Period	Prior Period
Current Tax Provision	(802.797)	(475.297)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/Expense	105.061	6.271
Total	**(697.736)**	**(469.026)**

9.2. Explanations on operating profit/loss after taxes

None (December 31, 2017 – None).

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

Net profit of the Group from continued operations is TL 2.573.205 (December 31, 2017 – TL 1.772.351)

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

11. Explanations on net income/loss for the period

11.1. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period

None (December 31, 2017 – None).

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

None.

11.3. Profit or loss attributable to minority shares

	Current Period	Prior Period
Profit / Loss Attributable to Minority	497	565

11.4. There is no change in the accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.

12. Information on the components of other items in the income statement exceeding 10% of the total or items that comprise at least 20% of the income statement

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the “Others” line under “Fees and Commissions Received” account, while fees and commissions given to credit cards are recorded in the “Others” line under “Fees and Commissions Paid” account by the Parent Bank.

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

SECTION FIVE

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

1. Changes resulting from valuation of fair value through profit or loss

Net increase of TL 223.758 (December 31, 2017 – TL 190.578 net decrease) after tax effect resulting from fair value through profit or loss in "Securities Value Increase Fund" account under shareholders equity.

2. Explanations on foreign exchange differences

None

3. Explanations on dividends

3.1 Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2017 profit as stated below at the Ordinary General Assembly held on March 29, 2018

2017 profit distribution table:

Current Year Profit	**1.603.441**
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(80.172)
B - The First Dividend for Shareholders(*)	(100.000)
C – Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(1.423.269)

(*) Has been distributed as Bonus Shares

3.2 Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (December 31, 2017- Profit distribution for 2017 is detailed in footnote 3.1).

3.3 Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained	84.457	62.637

4. Information on issuance of share certificates

4.1 The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (December 31, 2017- None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

There was no capital increase in 2018.Capital increase amounting to TL 200.00 presented in the Statement of Changes in Shareholder's Equity in 2017 entirely provided from extraordinary reserves.

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

SECTION FIVE

VI. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED CASH FLOWS STATEMENT

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

"Other items" amounting to TL 3.187.788 (December 31, 2017- TL 1.284.938) in "Operating profit before changes in operating assets and liabilities" consist of decrease in commissions paid amounting to TL 397.649 (December 31, 2017 – TL 275.989), net trading income/loss decrease in amounting to TL 732.114 (December 31, 2017 – TL 16.137 net trading income/loss) and other operating expenses amounting to TL 2.058.025 (December 31, 2017 – TL 1.025.086).

"Other items" in changes in operating assets amounting to TL 3.610.949 (December 31, 2017 – TL 2.744.136) consist of the decrease in collaterals given amounting to TL 1.769.189 (December 31, 2017 - TL 104.230 increase), the increase in lease receivables amounting to TL 4.294.594 (December 31, 2017 – TL 1.816.380 decrease), the increase in factoring receivables amounting to TL 1.339.014 (December 31, 2017 – TL 630.032 decrease) and the decrease in other assets amounting to TL 7.475.368 (December 31, 2017 - TL 401.954 increase).

"Other items" in changes in operating liabilities amounting to TL 3.100.740 (December 31, 2017 - TL 54.667) consist of the decrease in money market borrowings by TL 1.671.698 (December 31, 2017 - TL 371.720 increase) and the decrease in sundry debtors and other liabilities by TL 4.772.438 (December 31, 2017 - TL 317.053 increase).

"Other items" in changes in net cash provided from banking operations amounting to TL 193.874 (December 31, 2017 – TL 165.044) includes the increase in intangible assets by TL 121.436 (December 31, 2017 – TL 114.509 increase).

Effect of change in foreign currency on cash and cash equivalents is calculated as the difference between monthly average balances converted to TL using the currency rate at the beginning and at the end of the period and is TL 39.314 (December 31, 2017 – TL 157.301) as of December 31, 2018.

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	December 31, 2017
Cash	**1.012.047**
Cash in TL	644.333
Cash in Foreign Currencies	340.629
Other	27.085
Cash Equivalents	**5.075.324**
Balances with the T.R. Central Bank	3.700.772
Banks and Other Financial Institutions	1.178.431
Money Market Placements	241.859
Less: Placements with Banks with Maturities Longer than 3 Months	(37.550)
Less: Accruals	(8.188)
Cash and Cash Equivalents	**6.087.371**

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

3. Information regarding the balances of cash and cash equivalents at the end of the period

	December 31, 2018
Cash	**1.705.412**
Cash in TL	787.020
Cash in Foreign Currencies	849.141
Other	69.251
Cash Equivalents	**7.479.040**
Balances with the T.R. Central Bank	5.986.379
Banks and Other Financial Institutions	1.043.528
Money Market Placements	509.711
Less: Placements with Banks with Maturities Longer than 3 Months	(60.499)
Less: Accruals	(79)
Cash and Cash Equivalents	**9.184.452**

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 198.524 (December 31, 2017- TL 121.343) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the potential borrowings that can be used for banking operations or capital commitment

None.

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

SECTION FIVE

VII. EXPLANATIONS AND DISCLOSURES RELATED TO THE PARENT BANK'S RISK GROUP

1. Information on the volume of transactions with the Parent Bank's risk group, lending and deposits outstanding at year end and income and expenses in the current period:

1.1. As of December 31, 2018, the Parent Bank's risk group has deposits amounting to TL 445.875 (December 31, 2016 – TL 640.640), cash loans amounting to TL 4.408 (December 31, 2017 – 146) and non-cash loans amounting to TL 18.893 (December 31, 2017- TL 12.254).

Current Period

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non- Cash	Cash	Non- Cash	Cash	Non- Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	10.384	613	-	146	1.870
Balance at the End of the Period	2.557	16.087	1.755	-	96	2.806
Interest and Commission Income	-	163	-	37	32	44

Prior Period

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	5.896	1.179	-	1.252	1.586
Balance at the End of the Period	-	10.384	613	-	146	1.870
Interest and Commission Income(**)	-	112	-	26	73	29

(*) As described in the Article 49 of Banking Law No 5411.
(**) Represents the balances of December 31, 2017.

1.2. Information on deposits held by the Parent Bank's risk group

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	470.334	15.700	-	-	170.306	179.718
Balance at the End of the Period	286.806	470.334	-	-	159.069	170.306
Interest on deposits(**)	34.885	61.609	-	-	21.187	15.903

(*) As described in the Article 49 of Banking Law No 5411.
(**) Previous period's balances represent 31 December 2017 balances.

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

1.3. Information on forward and option agreements and similar agreements made with the Parent Bank's risk group

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	-	-	1.046	-		-
End of the Period	-	-	-	1.046	-	-
Total Income/Loss (**)	-	-	15	(19)		-
Transactions for Hedging Purposes					-	
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss (**)	-	-	-	-	-	-

(*) As described in the Article 49 of Banking Law No 5411.
(**) Previous period's balances represent 31 December 2017 balances.

1.4. Information on benefits provided for top management

As of December 31, 2018, the total amount of remuneration and bonuses paid to top management of the Group is TL 102.819 (December 31, 2017- TL 94.806).

2. Disclosures of transactions with the Parent Bank's risk group

2.1. Relations with entities in the risk group of / or controlled by the Parent Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

2.2. In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other matters

As of December 31, 2018, the rate of cash loans of the risk group divided by to total loans is 0%; (December 31, 2017 – 0%); the deposits represented 0,5% (December 31, 2017 – 0,9%) The ratio of total derivative transactions with derivatives is 0%. (December 31, 2017 – 0%)

2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts

The Parent Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş.

The Parent Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Parent Bank participated with 33,33% shareholding, provides cash transfer services to the Parent Bank.

Information in regards to subordinate loans the Bank received from Parent's Bank is explained in Section 5 Note II. 12.

The Parent Bank offers agency services to Cigna Finans Emeklilik and Hayat A.Ş. that is 49,00% jointly controlled for its insurance services.

VIII. EXPLANATIONS ON THE PARENT BANK'S DOMESTIC, FOREIGN AND OFF-SHORE BANKING BRANCHES AND FOREIGN REPRESENTATIVES OF THE GROUP

1. Information relating to the Parent Bank's domestic and foreign branch and representatives

	Number	Employees	Country	Total Assets	Capital
Domestic Branch	541	13.458			
Foreign Representation	-	-	-		
Foreign Branch	1	8	1- Bahreyn	21.229.746	-
Off-shore Banking and Region Branches	-	-	-	-	-

SECTION SIX

OTHER EXPLANATIONS

I. Other explanations related to the Parent Bank's operations

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

The parent bank has a 47-Day discount bond with 23.05% interest rate TL 64.870 on 3 January 2018, a 77-day discount bond with 23.0% interest rate TL 117.860 on 4 January 2018, a 46-day discount bond with 21.91% interest rate TL 107.900 on 11 January 2018, A 86-Day discount bond with 24.8% interest rate TL 101.000 on 11 January 2018, 84-Day discount bond, 18 January 2018 %Bond with a maturity of 175 days with a nominal value of TL 220.750 with an interest rate of 23.10, On January 25, 2018, discount bonds with a nominal value of TL 21.20% interest rate of TL 4.400, on January 23, 2018, discount bonds with a nominal value of TL 34.000% interest rate of TL 20.87%, on January 25, 2018, discount bonds with a nominal value of TL 21.70% interest rate of 130.730, on January 30, 2018, Euro 0.90% interest rate of 20.000, on January 31, 2018, discount bond, on February 1, 2018 with 21.41% interest, discounted bond with a nominal value of TL 103.226, On 1 February 2018, a discount bond with an interest rate of 21.70% was issued with a nominal value of TL 122.220.

2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users and foreign operations of the bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

None.

SECTION SEVEN

EXPLANATION ON AUDITOR'S REPORT

I. Explanations on Independent Audit Report

The consolidated financial statements for the year ended December 31, 2018 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's audit report dated February 4, 2019 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2017 – None).