

# **QNB FİNANSBANK ANONİM ŞİRKETİ**

**INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT,  
CONSOLIDATED FINANCIAL STATEMENTS, NOTES AND  
CONSOLIDATED INTERIM ACTIVITY REPORT FOR THE  
THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**

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

## **INTERIM REVIEW REPORT ON CONSOLIDATED FINANCIAL INFORMATION**

To the Board of Directors of QNB Finansbank Anonim Şirketi

### **Introduction**

We have reviewed the consolidated balance sheet of QNB Finansbank A.Ş. (“the Bank”) and its subsidiaries (together will be referred as “the Group”) at March 31, 2019 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these consolidated interim financial information in accordance with the “Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Legislation” which includes the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 “Interim Financial Reporting” principles for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on these consolidated interim financial information based on our review.

### **Scope of Review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the financial position of QNB Finansbank A.Ş. and its consolidated subsidiaries at March 31, 2019 and of the results of its operations and its cash flows for the three months period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

**Report on other regulatory requirements arising from legislation**

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

**Additional paragraph for convenience translation to English:**

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

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

Hatice Dilek Çilingir Köstem  
SMMM, Partner

April 29, 2019  
Istanbul, Turkey

**THE CONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.  
FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**

The Parent Bank's;  
Address of the Head Office : Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL  
Phone number : (0212) 318 50 00  
Facsimile number : (0212) 318 56 48  
Web page : [www.qnbfinansbank.com](http://www.qnbfinansbank.com)  
E-mail address : [investor.relations@qnbfinansbank.com](mailto:investor.relations@qnbfinansbank.com)

The consolidated financial report for the three month period ended March 31, 2019, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES OF THE PARENT BANK
- INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
- INTERIM CONSOLIDATED ACTIVITY REPORT

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

**Subsidiaries**

1. QNB Finans Finansal Kiralama Anonim Şirketi
2. QNB Finans Yatırım Menkul Değerler Anonim Şirketi
3. QNB Finans Portföy Yönetimi Anonim Şirketi
4. QNB Finans Faktoring Anonim Şirketi
5. Hemenal Finansman Anonim Şirketi
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 accompanying consolidated interim financial statements and related disclosures and footnotes for the three month period then ended March 31, 2019, are prepared and independently limited reviewed in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying consolidated interim financial statements are presented in **thousands of Turkish Lira (TL)**.

**Ömer A. Aras**  
Chairman of  
the Board of Directors

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

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

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

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

**Temel Güzeloğlu**  
General Manager  
and Member of the  
Board of Directors

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

**Ercan Sakarya**  
Director of Financial, Statutory  
Reporting and  
Treasury Control

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

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

## INDEX

### SECTION ONE GENERAL INFORMATION ABOUT THE PARENT BANK

I.	Explanatory note on the establishment date, nature of activities and history of the Parent Bank	1
II.	Information about the Parent Bank's shareholding structure, shareholders who individually or jointly have power to control the management and audit directly or indirectly, changes regarding these subjects during the year, if any, and information about the controlling group of the Parent Bank	1
III.	Information about the chairman and members of board of directors, members of audit committee, managing director and executive vice presidents; any changes, and the information about the Parent Bank shares they hold and their responsibilities	2
IV.	Information about the persons and institutions that have qualified shares on the Parent Bank	2
V.	Explanations on the Parent Bank's services and activities	2
VI.	Information on application differences between consolidation practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and the Turkish Accounting Standards, and entities subject to full or proportional consolidation or deducted from equity or not subject to any of these three methods	3
VII.	Current or likely actual or legal barriers to immediate transfer of shareholder's equity or repayment of debts between the parent bank and its subsidiaries	3

### SECTION TWO CONSOLIDATED FINANCIAL STATEMENTS

I.	Consolidated balance sheet (statement of financial position)	4
II.	Consolidated statements of off-balance sheet commitments and contingencies	6
III.	Consolidated statement of profit or loss	7
IV.	Consolidated statement of profit and loss and other comprehensive income	8
V.	Consolidated statement of changes in shareholders' equity	9
VI.	Consolidated cash flow statement	10

### SECTION THREE ACCOUNTING POLICIES

I.	Basis of presentation	11
II.	Strategy for the use of financial instruments and the foreign currency transactions	12
III.	Information on associates, subsidiaries and entities under common control	13
IV.	Explanations on derivative financial assets and liabilities	15
V.	Explanations on interest income and expenses	17
VI.	Explanations on fees and commission income and expenses	17
VII.	Explanations and disclosures on financial instruments	17
VIII.	Explanations on expected credit losses	21
IX.	Explanations on netting of financial instruments	23
X.	Derecognition of financial instruments	24
XI.	Explanations on sales and repurchase agreements and lending of securities	25
XII.	Explanations on assets held for sale and discontinued operations	26
XIII.	Explanations on goodwill and other intangible assets	26
XIV.	Explanations on tangible assets	26
XV.	Explanations on leasing transactions	27
XVI.	Explanations on factoring receivables	27
XVII.	Explanations on provisions and contingent liabilities	28
XIX.	Explanations on taxation	28
XX.	Additional explanations on borrowings	30
XXI.	Explanation on share issues	30
XXII.	Explanation on confirmed bills of exchange and acceptances	30
XXIII.	Explanations on government incentives	30
XXIV.	Explanations on segment reporting	31
XXV.	Profit reserves and profit distribution	32
XXVI.	Earnings per share	33
XXVII.	Explanations on other matters	33

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

I.	Explanations on consolidated equity	35
II.	Explanations on risk management	44
III.	Explanations on consolidated foreign exchange risk	45
IV.	Explanations on consolidated interest rate risk	47
V.	Explanations on consolidated position risk of equity securities in banking book	49
VI.	Explanations on consolidated liquidity risk management and liquidity coverage ratio	50
VII.	Explanations on consolidated leverage ratio	55

### SECTION FIVE EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I.	Explanations and disclosures related to consolidated assets	57
II.	Explanations and disclosures related to consolidated liabilities	72
III.	Explanations and disclosures related to consolidated off-balance sheet items	80
IV.	Explanations and disclosures related to consolidated income statement	87
V.	Explanations and disclosures related to consolidated change in shareholders' equity	91
VI.	Explanations and disclosures related to consolidated change in shareholders' equity	91
VII.	Explanations and disclosures related to Parent bank's risk group	92
VIII.	Other explanations related to the Group's operations	94

### SECTION SIX OTHER EXPLANATIONS

I.	Explanations on the independent limited review report	95
II.	Explanations and notes prepared by independent auditor's	95

### SECTION SEVEN CONSOLIDATED INTERIM ACTIVITY REPORT

I.	Interim consolidated activity report that includes the Assessment of the Chairman of the Board of Directors and General Manager of Operations	96
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**(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**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 March 31, 2019 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.

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**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(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 Kurtuluş	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
Cenk Akıncılar	Executive Vice President	January 21, 2019	Graduate
Ahmet Erzençin	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Bülent Yurdalan	Head of Department of Internal Systems	August 6, 2013	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters

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 March 31, 2019, the Parent Bank operates through 541 domestic (December 31, 2018 - 540), 1 foreign (December 31, 2018 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2018 - 1) branches. As of March 31, 2019, the Group has 12.821 employees (December 31, 2018 - 13.466 employees).

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

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

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

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

All other subsidiaries are fully consolidated.

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

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

None.

## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

- I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)
- II. Consolidated Statement of Off-Balance Sheet Commitments and Contingencies
- III. Consolidated Statement of Profit or Loss
- IV. Consolidated Statement of Profit or Loss and Other Comprehensive Income
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Cash Flows Statement

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF BALANCE SHEET**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**I. CONSOLIDATED BALANCE SHEET – ASSETS**

	Section 5 Part I	Reviewed 31.03.2019			Audited 31.12.2018 <sup>(*)</sup>		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>I. FINANCIAL ASSETS (Net)</b>		<b>17.216.267</b>	<b>30.740.116</b>	<b>47.956.383</b>	<b>18.722.660</b>	<b>22.505.832</b>	<b>41.228.492</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>1.633.865</b>	<b>24.309.009</b>	<b>25.942.874</b>	<b>2.500.305</b>	<b>17.725.314</b>	<b>20.225.619</b>
1.1.1 Cash and Balances with The Central Bank	(1)	1.434.188	18.893.667	20.327.855	1.822.718	16.688.725	18.511.443
1.1.2 Banks	(3)	5.217	5.415.342	5.420.559	205.463	1.036.589	1.242.052
1.1.3 Receivables From Money Market	(4)	198.402	-	198.402	509.711	-	509.711
1.1.4 Expected Credit Losses (-)		3.942	-	3.942	37.587	-	37.587
<b>1.2 Financial Assets Measured at Fair Value through Profit/Loss</b>	<b>(2)</b>	<b>69.975</b>	<b>124.291</b>	<b>194.266</b>	<b>42.381</b>	<b>113.390</b>	<b>155.771</b>
1.2.1 Public Sector Debt Securities		20.952	4.983	25.935	19.616	2.811	22.427
1.2.2 Equity Securities		8.655	-	8.655	7.320	-	7.320
1.2.3 Other Financial Assets		40.368	119.308	159.676	15.445	110.579	126.024
<b>1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income</b>	<b>(5)</b>	<b>4.233.531</b>	<b>5.450.381</b>	<b>9.683.912</b>	<b>4.547.355</b>	<b>3.898.418</b>	<b>8.445.773</b>
1.3.1 Public Sector Debt Securities		4.227.101	5.286.736	9.513.837	4.540.725	3.763.899	8.304.624
1.3.2 Equity Securities		4.912	141.247	146.159	4.912	113.259	118.171
1.3.3 Other Financial Assets		1.518	22.398	23.916	1.718	21.260	22.978
<b>1.4 Derivative Financial Assets</b>	<b>(12)</b>	<b>11.278.896</b>	<b>856.435</b>	<b>12.135.331</b>	<b>11.632.619</b>	<b>768.710</b>	<b>12.401.329</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit/Loss		8.764.529	808.783	9.573.312	8.929.754	657.292	9.587.046
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		2.514.367	47.652	2.562.019	2.702.865	111.418	2.814.283
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)</b>		<b>74.527.460</b>	<b>42.940.925</b>	<b>117.468.385</b>	<b>75.233.583</b>	<b>37.928.092</b>	<b>113.161.675</b>
<b>2.1 Loans</b>	<b>(6)</b>	<b>73.003.164</b>	<b>32.304.381</b>	<b>105.307.545</b>	<b>72.713.180</b>	<b>29.200.104</b>	<b>101.913.284</b>
<b>2.2 Lease Receivables</b>	<b>(11)</b>	<b>995.452</b>	<b>3.660.635</b>	<b>4.656.087</b>	<b>1.381.904</b>	<b>3.706.195</b>	<b>5.088.099</b>
<b>2.3 Factoring Receivables</b>	<b>(7)</b>	<b>639.381</b>	<b>113.956</b>	<b>753.337</b>	<b>868.619</b>	<b>104.385</b>	<b>973.004</b>
<b>2.4 Other Financial Assets Measured at Amortized Cost</b>	<b>(8)</b>	<b>8.103.146</b>	<b>6.966.941</b>	<b>15.070.087</b>	<b>7.916.505</b>	<b>5.015.688</b>	<b>12.932.193</b>
2.4.1 Public Sector Debt Securities		8.103.146	6.189.584	14.292.730	7.916.505	4.283.527	12.200.032
2.4.2 Other Financial Assets		-	777.357	777.357	-	732.161	732.161
<b>2.5 Expected Credit Losses (-)</b>		<b>8.213.683</b>	<b>104.988</b>	<b>8.318.671</b>	<b>7.646.625</b>	<b>98.280</b>	<b>7.744.905</b>
<b>III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1 Held for sale		-	-	-	-	-	-
3.2 Discontinued Operations		-	-	-	-	-	-
<b>IV. INVESTMENTS (Net)</b>		<b>204.567</b>	<b>-</b>	<b>204.567</b>	<b>186.645</b>	<b>-</b>	<b>186.645</b>
<b>4.1 Investment in Associates (Net)</b>	<b>(9)</b>	<b>5.982</b>	<b>-</b>	<b>5.982</b>	<b>5.982</b>	<b>-</b>	<b>5.982</b>
4.1.1 Equity Method Associates		-	-	-	-	-	-
4.1.2 Unconsolidated		5.982	-	5.982	5.982	-	5.982
<b>4.2 Investment in Subsidiaries (Net)</b>		<b>38.054</b>	<b>-</b>	<b>38.054</b>	<b>38.054</b>	<b>-</b>	<b>38.054</b>
4.2.1 Unconsolidated Financial Investments		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Investments		38.054	-	38.054	38.054	-	38.054
<b>4.3 Equity Under Common Control (Joint Ventures) (Net)</b>	<b>(10)</b>	<b>160.531</b>	<b>-</b>	<b>160.531</b>	<b>142.609</b>	<b>-</b>	<b>142.609</b>
4.3.1 Equity method associates		157.731	-	157.731	139.809	-	139.809
4.3.2 Unconsolidated		2.800	-	2.800	2.800	-	2.800
<b>V. TANGIBLE ASSETS (Net)</b>		<b>3.286.035</b>	<b>65</b>	<b>3.286.100</b>	<b>2.868.939</b>	<b>61</b>	<b>2.869.000</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>		<b>426.947</b>	<b>-</b>	<b>426.947</b>	<b>411.200</b>	<b>-</b>	<b>411.200</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Others		426.947	-	426.947	411.200	-	411.200
<b>VII. INVESTMENT PROPERTIES (Net)</b>	<b>(13)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>	<b>(14)</b>	<b>67.064</b>	<b>-</b>	<b>67.064</b>	<b>77.001</b>	<b>-</b>	<b>77.001</b>
<b>IX. DEFERRED TAX ASSET</b>	<b>(14)</b>	<b>500.815</b>	<b>-</b>	<b>500.815</b>	<b>618.081</b>	<b>-</b>	<b>618.081</b>
<b>X. OTHER ASSETS</b>	<b>(16)</b>	<b>2.354.281</b>	<b>3.493.023</b>	<b>5.847.304</b>	<b>2.747.944</b>	<b>2.200.196</b>	<b>4.948.140</b>
<b>TOTAL ASSETS</b>		<b>98.583.436</b>	<b>77.174.129</b>	<b>175.757.565</b>	<b>100.866.053</b>	<b>62.634.181</b>	<b>163.500.234</b>

(\*) The necessary classifications have been made in the prior period financial statements in order to be comparable with the current period financial statements that are in the new financial statements format issued by the Banking Regulation and Supervision Agency (BRSA) on 1 February 2019.

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ  
CONSOLIDATED STATEMENT OF BALANCE SHEET  
FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)**

**I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY**

		Reviewed 31.03.2019			Audited 31.12.2018 <sup>(*)</sup>			
		Section 5 Note II	TL	FC	TOTAL	TL	FC	TOTAL
<b>I.</b>	<b>DEPOSITS</b>	(1)	43.186.012	47.454.785	90.640.797	44.763.096	42.063.120	86.826.216
<b>II.</b>	<b>FUNDS BORROWED</b>	(3)	1.371.688	18.895.831	20.267.519	1.102.021	19.450.212	20.552.233
<b>III.</b>	<b>MONEY MARKET BORROWINGS</b>	(4)	810.235	7.292.323	8.102.558	711.126	4.622.546	5.333.672
<b>IV.</b>	<b>SECURITIES ISSUED (NET)</b>	(5)	6.149.472	10.684.628	16.834.100	4.084.174	7.765.903	11.850.077
4.1	Bills		5.556.529	187.261	5.743.790	3.482.767	388.754	3.871.521
4.2	Asset Backed Securities		436.650	-	436.650	436.650	-	436.650
4.3	Bonds		156.293	10.497.367	10.653.660	164.757	7.377.149	7.541.906
<b>V.</b>	<b>FUNDS</b>		-	-	-	-	-	-
5.1	Borrowers' Funds		-	-	-	-	-	-
5.2	Others		-	-	-	-	-	-
<b>VI.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT &amp; LOSS (NET)</b>		-	-	-	-	-	-
<b>VII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>		4.641.383	1.094.090	5.735.473	5.611.501	838.688	6.450.189
7.1	Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net)	(2)	4.587.556	784.858	5.372.414	5.451.826	662.190	6.114.016
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	53.827	309.232	363.059	159.675	176.498	336.173
<b>VIII.</b>	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IX.</b>	<b>LEASE PAYABLES (Net)</b>	(7)	378.058	26.998	405.056	-	-	-
<b>X.</b>	<b>PROVISIONS</b>	(9)	713.786	-	713.786	826.061	-	826.061
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		344.080	-	344.080	452.523	-	452.523
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		369.706	-	369.706	373.538	-	373.538
<b>XI.</b>	<b>CURRENT TAX LIABILITY</b>	(10)	157.730	-	157.730	159.866	-	159.866
<b>XII.</b>	<b>DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>XIII.</b>	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(11)	-	-	-	-	-	-
13.1	Held for Sale		-	-	-	-	-	-
13.2	Discontinued Operations		-	-	-	-	-	-
<b>XIV.</b>	<b>SUBORDINATED DEBT INSTRUMENTS</b>	(12)	-	5.166.503	5.166.503	-	4.816.098	4.816.098
14.1	Subordinated Loans		-	5.166.503	5.166.503	-	4.816.098	4.816.098
14.2	Other Debt Instruments		-	-	-	-	-	-
<b>XV.</b>	<b>OTHER LIABILITIES</b>		4.128.348	8.483.199	12.611.547	5.189.832	6.892.547	12.082.379
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	(13)	15.911.285	(788.789)	15.122.496	15.088.886	(485.443)	14.603.443
16.1	Paid-in Capital		3.350.000	-	3.350.000	3.350.000	-	3.350.000
16.2	Capital Reserves		714	-	714	714	-	714
16.2.1	Share Premium	(14)	714	-	714	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		(53.639)	67.385	13.746	(52.953)	44.291	(8.662)
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		598.103	(856.174)	(258.071)	430.556	(529.734)	(99.178)
16.5	Profit Reserves		11.353.778	-	11.353.778	8.781.070	-	8.781.070
16.5.1	Legal Reserves		721.457	-	721.457	634.516	-	634.516
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		10.632.321	-	10.632.321	8.146.554	-	8.146.554
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit/Loss		655.382	-	655.382	2.572.708	-	2.572.708
16.6.1	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Period's Net Profit/Loss		655.382	-	655.382	2.572.708	-	2.572.708
16.7	Minority Interest		6.947	-	6.947	6.791	-	6.791
<b>TOTAL LIABILITIES</b>			<b>77.447.997</b>	<b>98.309.568</b>	<b>175.757.565</b>	<b>77.536.563</b>	<b>85.963.671</b>	<b>163.500.234</b>

(\*) The necessary classifications have been made in the prior period financial statements in order to be comparable with the current period financial statements that are in the new financial statements format issued by the Banking Regulation and Supervision Agency (BRSA) on 1 February 2019.

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ  
CONSOLIDATED STATEMENT OF OFF BALANCE SHEET  
FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)**

**II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES**

		Reviewed 31.03.2019			Audited 31.12.2018			
		Section 5 Note III	TL	FC	TOTAL	TL	FC	TOTAL
<b>A.</b>	<b>OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>125.315.049</b>	<b>183.031.658</b>	<b>308.346.707</b>	<b>130.725.576</b>	<b>177.963.434</b>	<b>308.689.010</b>
<b>I.</b>	<b>GUARANTEES</b>	(1), (2), (3), (4)	<b>9.824.022</b>	<b>16.166.527</b>	<b>25.990.549</b>	<b>8.744.817</b>	<b>14.944.429</b>	<b>23.689.246</b>
1.1.	Letters of guarantee		9.717.532	9.191.558	18.909.090	8.728.878	8.756.308	17.485.186
1.1.1.	Guarantees subject to State Tender Law		365.241	57.647	422.888	363.694	43.691	407.385
1.1.2.	Guarantees given for foreign trade operations		4.907.004	9.133.911	14.040.915	4.414.542	8.712.617	13.127.159
1.1.3.	Other letters of guarantee		4.445.287	-	4.445.287	3.950.642	-	3.950.642
1.2.	Bank loans		19.488	4.645.183	4.664.671	15.820	4.460.434	4.476.254
1.2.1.	Import letter of acceptance		19.488	4.645.183	4.664.671	15.820	4.460.434	4.476.254
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		87.002	2.329.786	2.416.788	119	1.727.687	1.727.806
1.3.1.	Documentary letters of credit		87.002	2.241.305	2.328.307	119	1.682.271	1.682.390
1.3.2.	Other letters of credit		-	88.481	88.481	-	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		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>		<b>67.214.660</b>	<b>6.112.223</b>	<b>73.326.883</b>	<b>63.715.808</b>	<b>3.974.340</b>	<b>67.690.148</b>
2.1.	Irrevocable commitments	(1)	40.142.728	4.784.637	44.927.365	36.609.777	2.179.323	38.789.100
2.1.1.	Forward asset purchase commitments		1.269.642	4.064.299	5.333.941	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		11.555.378	554	11.555.932	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		2.652.392	-	2.652.392	2.181.264	-	2.181.264
2.1.8.	Tax and fund liabilities from export commitments		30.341	-	30.341	28.728	-	28.728
2.1.9.	Commitments for credit card expenditure limits		23.874.467	-	23.874.467	22.362.300	-	22.362.300
2.1.10.	Commitments for promotions related with credit cards and banking activities		26.269	-	26.269	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		734.239	719.784	1.454.023	727.879	460.575	1.188.454
2.2.	Revocable commitments		27.071.932	1.327.586	28.399.518	27.106.031	1.795.017	28.901.048
2.2.1.	Revocable loan granting commitments		27.013.186	1.233.324	28.246.510	27.048.976	1.678.758	28.727.734
2.2.2.	Other revocable commitments		58.746	94.262	153.008	57.055	116.259	173.314
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	(5), (6)	<b>48.276.367</b>	<b>160.752.908</b>	<b>209.029.275</b>	<b>58.264.951</b>	<b>159.044.665</b>	<b>217.309.616</b>
3.1	Derivative financial instruments for hedging purposes		17.602.257	43.447.397	61.049.654	18.063.782	47.418.740	65.482.522
3.1.1	Fair value hedge		7.672.817	16.682.070	24.354.887	6.676.382	17.556.538	24.232.920
3.1.2	Cash flow hedge		9.929.440	26.765.327	36.694.767	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		30.674.110	117.305.511	147.979.621	40.201.169	111.625.925	151.827.094
3.2.1	Forward foreign currency buy/sell transactions		3.212.630	5.603.796	8.816.426	2.517.071	4.581.723	7.098.794
3.2.1.1	Forward foreign currency transactions-buy		2.329.332	2.092.079	4.421.411	1.335.604	2.193.969	3.529.573
3.2.1.2	Forward foreign currency transactions-sell		883.298	3.511.717	4.395.015	1.181.467	2.387.754	3.569.221
3.2.2	Swap transactions related to foreign currency and interest rates		22.968.188	104.784.933	127.753.121	32.179.059	99.168.311	131.347.370
3.2.2.1	Foreign currency swap-buy		10.182.423	30.153.411	40.335.834	14.037.137	30.588.966	44.626.103
3.2.2.2	Foreign currency swap-sell		12.785.765	27.585.978	40.371.743	16.501.922	28.568.691	45.070.613
3.2.2.3	Interest rate swaps-buy		-	23.522.772	23.522.772	820.000	20.005.327	20.825.327
3.2.2.4	Interest rate swaps-sell		-	23.522.772	23.522.772	820.000	20.005.327	20.825.327
3.2.3	Foreign currency, interest rate and securities options		3.242.203	4.181.254	7.423.457	5.505.039	6.823.437	12.328.476
3.2.3.1	Foreign currency options-buy		1.118.694	2.549.317	3.668.011	2.341.029	3.789.135	6.130.164
3.2.3.2	Foreign currency options-sell		2.123.509	1.631.937	3.755.446	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		1.251.089	1.454.760	2.705.849	-	237.014	237.014
3.2.4.1	Foreign currency futures-buy		7.659	1.337.328	1.344.987	-	118.507	118.507
3.2.4.2	Foreign currency futures-sell		1.243.430	117.432	1.360.862	-	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		-	1.280.768	1.280.768	-	815.440	815.440
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>757.117.955</b>	<b>178.665.271</b>	<b>935.783.226</b>	<b>739.031.665</b>	<b>166.377.574</b>	<b>905.409.239</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>69.060.052</b>	<b>7.851.144</b>	<b>76.911.196</b>	<b>70.978.459</b>	<b>7.436.300</b>	<b>78.414.759</b>
4.1.	Assets under management		2.706.119	12.187	2.718.306	2.215.608	15.581	2.231.189
4.2.	Investment securities held in custody		28.648.439	2.872.315	31.520.754	34.063.877	2.863.101	36.926.978
4.3.	Checks received for collection		4.849.847	852.467	5.702.314	4.428.561	688.567	5.117.128
4.4.	Commercial notes received for collection		1.533.352	351.876	1.885.228	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		31.322.295	3.762.299	35.084.594	28.753.779	3.526.989	32.280.768
4.8.	Custodians		-	-	-	-	-	-
<b>V.</b>	<b>PLEDGED ITEMS</b>		<b>418.666.732</b>	<b>104.848.937</b>	<b>523.515.669</b>	<b>406.521.737</b>	<b>96.312.753</b>	<b>502.834.490</b>
5.1.	Marketable securities		3.125.555	8.390.291	11.515.846	2.540.568	8.044.413	10.584.981
5.2.	Guarantee notes		438.035	133.004	571.039	442.693	131.866	574.559
5.3.	Commodity		66.275	-	66.275	66.090	-	66.090
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		93.157.324	54.916.100	148.073.424	90.756.028	53.481.420	144.237.448
5.6.	Other pledged items		321.879.543	41.409.542	363.289.085	312.716.358	34.655.054	347.371.412
5.7.	Pledged items-depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>269.391.171</b>	<b>65.965.190</b>	<b>335.356.361</b>	<b>261.531.469</b>	<b>62.628.521</b>	<b>324.159.990</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>			<b>882.433.004</b>	<b>361.696.929</b>	<b>1.244.129.933</b>	<b>869.757.241</b>	<b>344.341.008</b>	<b>1.214.098.249</b>

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTH PERIOD  
THEN ENDED MARCH 31, 2019 (STATEMENT OF INCOME/LOSS)  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)**

**III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

		Reviewed	Reviewed	
		01.01 - 31.03.2019	01.01 - 31.03.2018(*)	
		Section 5		
		Part IV		
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>4.782.019</b>	<b>3.380.757</b>
1.1	Interest income on loans	3.763.801	2.753.731	
1.2	Interest income on reserve deposits	58.778	39.572	
1.3	Interest income on banks	47.936	61.474	
1.4	Interest income on money market transactions	7.184	20.227	
1.5	Interest income on securities portfolio	702.674	342.850	
1.5.1	Financial assets measured at FVTPL	1.049	1.816	
1.5.2	Financial assets measured at FVOCI	277.139	167.820	
1.5.3	Financial assets measured at amortized cost	424.486	173.214	
1.6	Financial lease income	126.866	101.309	
1.7	Other interest income	74.780	61.594	
<b>II.</b>	<b>INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>3.065.981</b>	<b>1.724.641</b>
2.1	Interest on deposits	2.258.632	1.137.050	
2.2	Interest on funds borrowed	336.740	241.629	
2.3	Interest on money market transactions	71.634	93.752	
2.4	Interest on securities issued	375.526	245.272	
2.5	Interests on leasings	18.356	116	
2.6	Other interest expenses	5.093	6.822	
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSE (I - II)</b>	<b>1.716.038</b>	<b>1.656.116</b>	
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>	<b>657.047</b>	<b>506.600</b>	
4.1	Fees and commissions received	815.520	608.359	
4.1.1	Non-cash loans	38.739	24.409	
4.1.2	Others	776.781	583.950	
4.2	Fees and commissions paid (-)	158.473	101.759	
4.2.1	Non-cash loans	541	408	
4.2.2	Others	157.932	101.351	
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(3)</b>	<b>891</b>	<b>482</b>
<b>VI.</b>	<b>NET TRADING INCOME/LOSS (Net)</b>	<b>(4)</b>	<b>(103.747)</b>	<b>(361.144)</b>
6.1	Trading account gain/losses	5.118	5.117	
6.2	Gain/losses from derivative transactions	(62.325)	(250.426)	
6.3	Foreign exchange gain/losses	(46.540)	(115.835)	
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>9.495</b>	<b>18.052</b>
<b>VIII.</b>	<b>TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)</b>	<b>2.279.724</b>	<b>1.820.106</b>	
<b>IX.</b>	<b>EXPECTED CREDIT LOSSES (-)</b>	<b>(6)</b>	<b>534.261</b>	<b>279.123</b>
<b>X.</b>	<b>OTHER PROVISION LOSSES (-)</b>	<b>9.903</b>	<b>17.282</b>	
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>	<b>423.914</b>	<b>351.997</b>	
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>506.552</b>	<b>457.920</b>
<b>XIII.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>	<b>805.094</b>	<b>713.784</b>	
<b>XIV.</b>	<b>INCOME RESULTED FROM MERGERS</b>	-	-	
<b>XV.</b>	<b>INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>	<b>18.342</b>	<b>13.118</b>	
<b>XVI.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>	-	-	
<b>XVII.</b>	<b>OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)</b>	<b>(8)</b>	<b>823.436</b>	<b>726.902</b>
<b>XVIII.</b>	<b>PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>(167.898)</b>	<b>(156.435)</b>
18.1	Current tax charge	(18.123)	(72.000)	
18.2	Deferred tax charge (+)	605.390	106.149	
18.3	Deferred tax credit (-)	(755.165)	(190.584)	
<b>XIX.</b>	<b>NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)</b>	<b>(10)</b>	<b>655.538</b>	<b>570.467</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>	-	-	
20.1	Income from assets held for sale	-	-	
20.2	Income from sale of associates, subsidiaries and joint-ventures	-	-	
20.3	Others	-	-	
<b>XXI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>	-	-	
21.1	Expenses on assets held for sale	-	-	
21.2	Expenses on sale of associates, subsidiaries and joint-ventures	-	-	
21.3	Others	-	-	
<b>XXII.</b>	<b>PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)</b>	-	-	
<b>XXIII.</b>	<b>PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	-	-	
23.1	Current tax charge	-	-	
23.2	Deferred tax charge (+)	-	-	
23.3	Deferred tax credit (-)	-	-	
<b>XXIV.</b>	<b>NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)</b>	-	-	
<b>XXV.</b>	<b>NET PROFIT/LOSS (XIX+XXIV)</b>	<b>(11)</b>	<b>655.538</b>	<b>570.467</b>
25.1	Group's profit/loss	655.382	570.258	
25.2	Minority interest	156	209	
	Earnings Per Share	0,0196	0,0170	

(\*) The necessary classifications have been made in the prior period financial statements in order to be comparable with the current period financial statements that are in the new financial statements format issued by the Banking Regulation and Supervision Agency (BRSA) on 1 February 2019.

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**

**CONSOLIDATED OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**

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

**IV. CONSOLIDATED STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME**

	Reviewed 01.01 – 31.03.2019	Reviewed 01.01 – 31.03.2018
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>655.538</b>	<b>570.467</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(136.485)</b>	<b>99.310</b>
<b>2.1 Other Income/Expense Items not to be Recycled to Profit or Loss</b>	<b>22.408</b>	<b>5.477</b>
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	(879)	322
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	24.438	4.964
2.1.5 Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(1.151)	191
<b>2.2 Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>(158.893)</b>	<b>93.833</b>
2.2.1 Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(261.185)	(63.062)
2.2.3 Gains/losses from Cash Flow Hedges	68.632	177.276
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	33.660	(20.381)
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>519.053</b>	<b>669.777</b>

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**

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

**V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Reviewed	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellati on Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others <sup>(*)</sup>	Translation Differences	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		Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
										Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others <sup>(**)</sup>	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others <sup>(**)</sup>						
<b>Prior Period - 01.01 – 31.03.2018</b>																			
I.		3.350.000	714	-	-	-	(68.312)	412.984	-	(642.559)	231.847	7.365.587	-	1.771.786	12.422.047	6.294	12.428.341		
II.		-	-	-	-	-	-	-	-	88.514	-	-	-	(256.304)	(167.790)	-	(167.790)		
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2		-	-	-	-	-	-	-	-	88.514	-	-	-	(256.304)	(167.790)	-	(167.790)		
III.		3.350.000	714	-	-	-	(68.312)	412.984	-	(554.045)	231.847	7.365.587	-	1.515.482	12.254.257	6.294	12.260.551		
IV.		-	-	-	-	-	251	(386.940)	-	344.656	141.343	-	-	570.258	669.568	209	669.777		
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
XL		-	-	-	-	-	-	-	-	-	-	-	-	1.515.482	(1.515.482)	-	-		
11.1		-	-	-	-	-	-	-	-	-	-	-	-	100.000	(100.000)	-	-		
11.2		-	-	-	-	-	-	-	-	-	-	-	-	1.415.482	(1.415.482)	-	-		
11.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Balances at end of the period (III+IV...+X+XI)</b>		<b>3.350.000</b>	<b>714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(68.061)</b>	<b>26.044</b>	<b>-</b>	<b>(209.389)</b>	<b>373.190</b>	<b>8.881.069</b>	<b>-</b>	<b>570.258</b>	<b>12.923.825</b>	<b>6.503</b>	<b>12.930.328</b>		

Reviewed	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellati on Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others <sup>(*)</sup>	Translation Differences	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		Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
										Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others <sup>(**)</sup>	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others <sup>(**)</sup>						
<b>Current Period - 01.01 – 31.03.2019</b>																			
I.		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		
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
III.		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		
IV.		-	-	-	-	-	(686)	23.094	-	(213.795)	54.902	-	-	655.382	518.897	156	519.053		
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
XL		-	-	-	-	-	-	-	-	-	-	-	-	2.572.708	(2.572.708)	-	-		
11.1		-	-	-	-	-	-	-	-	-	-	-	-	2.572.708	(2.572.708)	-	-		
11.2		-	-	-	-	-	-	-	-	-	-	-	-	2.572.708	(2.572.708)	-	-		
11.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Balances at end of the period (III+IV...+X+XI)</b>		<b>3.350.000</b>	<b>714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(53.639)</b>	<b>67.385</b>	<b>-</b>	<b>(710.137)</b>	<b>452.066</b>	<b>11.353.778</b>	<b>-</b>	<b>655.382</b>	<b>15.115.549</b>	<b>6.947</b>	<b>15.122.496</b>		

<sup>(\*)</sup>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

<sup>(\*\*)</sup>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

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**VI. CONSOLIDATED CASH FLOW STATEMENT**

	Section 5 Part VI	Reviewed 01.01 – 31.03.2019	Reviewed 01.01 – 31.03.2018
<b>A. CASH FLOWS FROM / (TO) BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities (+)</b>		<b>7.679.440</b>	<b>1.545.406</b>
1.1.1 Interest received (+)		4.503.199	2.540.888
1.1.2 Interest paid (-)		(3.913.161)	(1.402.197)
1.1.3 Dividend received (+)		891	482
1.1.4 Fees and commissions received (+)		816.838	609.064
1.1.5 Other income (+)		9.495	18.052
1.1.6 Collections from previously written off loans (+)		402.818	154.391
1.1.7 Payments to personnel and service suppliers (-)		(807.194)	(720.377)
1.1.8 Taxes paid (-)		(215.356)	(424.398)
1.1.9 Other (+/-)		6.881.910	769.501
<b>1.2 Changes in operating assets and liabilities</b>		<b>(4.136.975)</b>	<b>1.174.541</b>
1.2.1 Net (increase) decrease in financial assets measured at fair value through profit/loss (+/-)		(41.853)	(10.059)
1.2.2 Net (increase) decrease in due from banks (+/-)		(420.015)	(1.678.224)
1.2.3 Net (increase) decrease in loans (+/-)		6.318.841	(989.243)
1.2.4 Net (increase) decrease in other assets (+/-)		457.095	(113.225)
1.2.5 Net increase (decrease) in bank deposits (+/-)		401.607	3.043.662
1.2.6 Net increase (decrease) in other deposits (+/-)		(7.232.428)	(771.782)
1.2.7 Net (increase) decrease in financial assets measured at fair value through other comprehensive income (+/-)		-	-
1.2.8 Net increase (decrease) in funds borrowed (+/-)		(6.493.826)	(507.469)
1.2.9 Net increase (decrease) in matured payables (+/-)		-	-
1.2.10 Net increase (decrease) in other liabilities (+/-)		2.873.604	2.200.881
<b>I. Net cash provided from banking operations (+/-)</b>		<b>3.542.465</b>	<b>2.719.947</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from / (used in) investing activities (+/-)</b>		<b>(3.115.223)</b>	<b>(882.123)</b>
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 (-)		(63.174)	42.386
2.4 Fixed assets sales (+)		1.747	(68.532)
2.5 Cash paid for purchase of financial assets measured at fair value through other comprehensive income (-)		(2.765.936)	(876.663)
2.6 Cash obtained from sale of financial assets measured at fair value through other comprehensive income (+)		1.644.459	727.136
2.7 Cash paid for purchase of Financial Assets Measured at Amortized Cost (-)		(2.797.217)	(933.070)
2.8 Cash obtained from sale of Financial Assets Measured at Amortized Cost (+)		911.548	264.483
2.9 Other (+/-)		(46.650)	(37.863)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from / (used in) financing activities (+/-)</b>		<b>4.544.111</b>	<b>645.922</b>
3.1 Cash obtained from funds borrowed and securities issued (+)		6.898.447	3.787.716
3.2 Cash used for repayment of funds borrowed and securities issued (-)		(2.293.410)	(3.141.794)
3.3 Capital increase (+)		-	-
3.4 Dividends paid (-)		-	-
3.5 Payments for finance leases (-)		(60.926)	-
3.6 Other (+/-)		-	-
<b>IV. Effect of foreign currency translation differences on cash and cash equivalents (+/-)</b>		<b>490.044</b>	<b>276.864</b>
<b>V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>5.461.397</b>	<b>2.760.610</b>
<b>VI. Cash and cash equivalents at the beginning of the period (+)</b>		<b>9.184.452</b>	<b>6.087.371</b>
<b>VII. Cash and cash equivalents at end of the period (V+VI)</b>		<b>14.645.849</b>	<b>8.847.981</b>

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

**SECTION THREE**  
**ACCOUNTING POLICIES**

**I. Basis of Presentation**

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

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

**Explanation for Convenience Translation to English**

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

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

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

Accounting policies and valuation principles used in the preparation of the interim financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2018 except for the application of TFRS 16.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**2.1. Changes in accounting policies and disclosures**

**2.1.1. Major new and amended standards and interpretations**

The Group has started to apply “TFRS 16 Leases” Standard published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29826 dated April 16, 2018 starting from January 1, 2019. Other changes on standards of TAS and TFRS have no significant impact on financial position or performance of the Parent Bank.

**2.1.2. The new standards, amendments and interpretations which are effective as at January 1, 2019**

**TFRS 16 Leases**

TFRS 16 Leasing 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 financial leases (on balance sheet). For lessors, the accounting stays almost the same. The Group has started to apply “TFRS 16 Leases” Standard starting from January 1, 2019.

As of March 31, 2019, The Group recognized right of use asset classified under tangible assets, lease liability and depreciation expense amounting to TL 438.807, TL 402.185 and TL 53.756, respectively due to application of TFRS 16.

**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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(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 March 31, 2019 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:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
US Dollar	5,5423 TL	5,2609 TL
Euro	6,2335 TL	6,0280 TL

**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 March 31, 2019, net foreign exchange transaction income is TL 188.298 (March 31, 2018-TL 65.256 net foreign exchange transaction income) when the net interest expense amounting to TL 297.163 (March 31, 2018- TL 431.517) arising from derivative transactions is excluded from the derivative transactions loss amounting to TL 62.325 (March 31, 2018, 2017- TL 250.426 derivative transactions loss) and foreign exchange loss amounting to TL 46.540 (March 31, 2018- TL 115.835 net foreign exchange loss).

**2.3. Foreign Associates**

None.

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

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

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

	Consolidation Method	Place of Establishment	Subject of Operations	Effective Share of the Group (%)	
				March 31, 2019	December 31, 2018
1. QNB Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım)	Full consolidation	Turkey	Securities	100,00	100,00
2. QNB Finans Portföy Yönetimi A.Ş. (Finans Portföy)	Full consolidation	Turkey	Intermediary Services 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 Lease	100,00	100,00
7. Cigna Finans Emeklilik ve Hayat A.Ş. (Cigna Finans Emeklilik)	Equity Method	Turkey	Private Pension and Insurance	49,00	49,00

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

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 (“TFRS”) and Turkish Financial Reporting Standards (“TFRS”) and related additions and interpretations published by Public Accounting and Auditing Oversight Authority (“POA”).

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 March 31, 2019.

**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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**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" whereas the amount concerning ineffective parts is associated with income statement.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

QNB Finans Finansal Kiralama AŞ., the subsidiary of the Parent Bank, applies cash flow hedge accounting through interest rate swaps to hedge itself against changes floating rate foreign currency borrowings and floating rates TL 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 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 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 Parent 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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**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 in accordance with TFRS 9:

- 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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**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.

The Parent Bank has stocks, bills and bonds in portfolios of financial assets at fair value through profit and loss that are accounted in accordance with the Group' business model. In accordance with TFRS 9, the Parent Bank has classified cash flows are solely payments of principal and interest at certain dates under financial assets at fair value through profit and loss related to private purpose loans as of December 2018.

**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.

**QNB FINANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**VIII. Explanations on Expected Credit Losses:**

The Group 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 Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Group 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. As of March 31, 2019, minimum probability of default rate of Basel II is used in the expected credit loss calculation of receivables from public institutions and organizations. 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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Calculation of expected credit losses**

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

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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**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 Parent Bank and QNB Finans Finansal Kiralama A.Ş., the simplified method has been applied for other financial institutions.

**Calculating the Expected Loss Period**

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the Parent Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Parent Bank. Behavioral maturity analysis has been performed on credit cards and overdraft accounts. 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 Parent Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Parent Bank has calculated thresholds at which point the relative change is a significant deterioration. 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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**X. Derecognition of financial instruments**

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

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

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

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

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

**c) Derecognition of financial liabilities**

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

**d) Reclassification of financial instruments**

Based on TFRS 9, it shall be reclassified all affected financial assests at amotised cost to financial assests 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) Restructing 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 singed, in case the loan can not be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is made for changing the financial terms of existing loans in order to facilitate the payment of debt. Refinacing 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 difficultiy which the customer or group encounter currently or will encounter in the future.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

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 watchlist when the following conditions are met:

- Subsequent to the through 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 the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time); and

- At least 1 years should pass over the date of restructuring (or if it 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.

On order to 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 restructuring;

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

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

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

In personel loans, loans can be restructured in order to give liquidity power to the debtor and to ensure the collection of the receivables of the Parent Bank in case of temporary liquidity problems due to the failure of the payment obligation to the Parent Bank. The Parent 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 9.927.064 (December 31, 2018– TL 6.488.226).

As of March 31, 2019 the Parent Bank has no securities that are subject to lending transactions (December 31, 2018 – none).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

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. Software have been classified as other intangible fixed assets. The useful life of software 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%

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

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%.

At the commencement date of a lease, the Group (lessee) measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

**XVI. Explanations on Factoring Receivables**

Factoring receivables are measured at amortized cost using the effective interest rate method after deducting unearned interest income and expected loss provisions.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**XVII. Explanations on Provisions and Contingent Liabilities**

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

**XVIII. Explanations on Obligations of the Group for Employees Benefits**

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

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

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

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

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

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

**XIX. Explanations on Taxation**

**1. Corporate Tax**

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

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

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

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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.

The Group has started to be recognized deferred tax from the expected credit losses of Stage 1 and Stage 2 expected credit losses provisions.

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

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

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

**3. Transfer Pricing**

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

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**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, 2018- None).

**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 March 31, 2019, the Group does not have any governmental incentives or support (As of December 31, 2018 – None).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**XXIV. Explanation on Segment Reporting**

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

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

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

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

<b>Current Period (January 1 – March 31, 2019)</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury and Head Office</b>	<b>Total Operations of the Group</b>
Net Interest Income	587.554	741.654	386.830	1.716.038
Net Fees and Commissions Income	465.535	180.694	10.818	657.047
Other Operating Income and Net Trading Income	9.263	37.736	(141.251)	(94.252)
Dividend Income	-	-	891	891
<b>Operating Income</b>	<b>1.062.352</b>	<b>960.084</b>	<b>257.288</b>	<b>2.279.724</b>
Expected Loss Provisions (-)	141.478	584.630	(191.847)	534.261
Other Loss Provisions (-)	-	-	9.903	9.903
Personnel Expense (-)	93.451	134.975	195.488	423.914
Other Operating Expenses (-)	419.961	237.854	(151.263)	506.552
Gain / Loss on joint venture accounted for at equity method	-	-	18.342	18.342
<b>Profit Before Taxes</b>	<b>407.462</b>	<b>2.625</b>	<b>413.349</b>	<b>823.436</b>
<b>Tax Provision (-)</b>	-	-	-	<b>(167.898)</b>
<b>Net Profit/Loss</b>	-	-	-	<b>655.538</b>
<b>Total Assets</b>	<b>33.242.294</b>	<b>69.293.731</b>	<b>61.415.581</b>	<b>175.757.565</b>
Segment Assets	33.242.294	69.293.731	61.415.581	163.951.606
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	204.567
Undistributed Assets	-	-	-	11.601.392
<b>Total Liabilities</b>	<b>58.204.667</b>	<b>28.495.336</b>	<b>54.311.480</b>	<b>175.757.565</b>
Segment Liabilities	58.204.667	28.495.336	54.311.480	141.011.483
Undistributed Liabilities	-	-	-	19.623.586
Equity	-	-	-	15.122.496
<b>Other Segment Accounts</b>	<b>144.542</b>	<b>74.408</b>	<b>(44.021)</b>	<b>174.929</b>
Capital Expenditures	39.894	20.537	(6.364)	54.067
Depreciation and Amortization	104.648	53.871	(37.657)	120.862

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
<b>Prior Period (January 1 - March 31, 2018)</b>				
Net Interest Income	520.979	572.585	562.552	1.656.116
Net Fees and Commissions Income	328.181	159.994	18.425	506.600
Other Operating Income and Net Trading Income	8.036	50.592	(401.720)	(343.092)
Dividend Income	-	-	482	482
<b>Operating Income</b>	<b>857.196</b>	<b>783.171</b>	<b>179.739</b>	<b>1.820.106</b>
Expected Loss Provisions (-)	125.143	178.988	(25.008)	279.123
Other Loss Provisions (-)	-	-	17.282	17.282
Personnel Expense (-)	75.276	117.792	158.929	351.997
Other Operating Expenses (-)	164.840	78.057	215.023	457.920
Gain / Loss on joint venture accounted for at equity method	-	-	13.118	13.118
<b>Profit Before Taxes</b>	<b>491.937</b>	<b>408.334</b>	<b>(173.369)</b>	<b>726.902</b>
<b>Tax Provision (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(156.435)</b>
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>570.467</b>
<b>Other Segment Accounts</b>	<b>(381.219)</b>	<b>(151.928)</b>	<b>658.185</b>	<b>125.038</b>
Capital Expenditures	(403.871)	(160.955)	626.342	61.516
Depreciation and Amortization	22.652	9.027	31.843	63.522

	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
<b>Prior Period (January 1 - December 31, 2018)</b>				
<b>Total Assets</b>	<b>33.583.981</b>	<b>66.792.610</b>	<b>52.306.155</b>	<b>163.500.234</b>
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
<b>Total Liabilities</b>	<b>56.362.699</b>	<b>26.784.970</b>	<b>46.230.627</b>	<b>163.500.234</b>
Segment Liabilities	56.362.699	26.784.970	46.230.627	129.378.296
Undistributed Liabilities	-	-	-	19.518.495
Equity	-	-	-	14.603.443

**XXV. Profit Reserves and profit distribution**

The Ordinary General Assembly Meeting of the Parent Bank was held on March 28, 2019. It was decided net income from 2018 operations to be distributed as follows:

**2018 Profit Distribution Table**

<b>Current Year Profit</b>	<b>2.409.829</b>
A – First Legal Reserves (Turkish Commercial Code 519/A) 5%	(85.130)
C – Extraordinary Reserves	(2.324.699)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**XXVI. Earnings Per Share**

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

	<b>Current Period</b>	<b>Prior Period</b>
Group's Net Profit for the Period	655.538	570.258
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
<b>Earnings per Share</b>	<b>0,0196</b>	<b>0,0170</b>

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 2019 is none. (Amount of issued bonus shared in 2019 is none).

**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**

	<b>Book Value Before TFRS9 December 31, 2017</b>	<b>Reclassifications</b>	<b>Re-measures</b>	<b>TFRS 9 book value January 1, 2018</b>	<b>Tax Effect</b>	<b>Equity Effect</b>
<b>Financial Assets</b>						
<b>Measured at amortized cost</b>						
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	-	-
<b>Measured at Fair Value through Other Comprehensive Income</b>						
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
<b>Loans and Other Receivables Measured at Amortized Cost (Gross)</b>						
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)
<b>Factoring Receivables</b>						
Expected loss provision	(41.988)	-	(9.133)	(51.121)	2.009	(7.124)
<b>Lease Receivables</b>						
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.

(\*\*) Pre-classification value measured at Amortized Cost does not cover revenues from financial leasing and factoring.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

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

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

	<b>Book Value Before TFRS 9 December 31, 2017</b>	<b>Remeasurements</b>	<b>Book Value After TFRS 9 January 1, 2018</b>
<b>Loans</b>	<b>5.019.890</b>	<b>665.385</b>	<b>5.685.275</b>
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
<b>Financial Assets<sup>(*)</sup></b>	<b>59.270</b>	<b>(18.424)</b>	<b>40.846</b>
<b>Non-Cash Loans<sup>(**)</sup></b>	<b>158.558</b>	<b>64.328</b>	<b>222.886</b>
Stage 1 and 2	91.845	120.072	211.917
Stage 3	66.713	(55.744)	10.969
<b>Total</b>	<b>5.237.718</b>	<b>711.289</b>	<b>5.949.007</b>

<sup>(\*)</sup>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

<sup>(\*\*)</sup>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".

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(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 March 31, 2019 Group’s total capital has been calculated as TL 19.727.157 (December 31, 2018: TL 18.994.391), capital adequacy ratio is 13,97% (December 31, 2018: 14,84%) 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 March 31, 2019	Amounts subject to treatment before 1/1/2014
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.350.000	
Share issue premiums	714	
Reserves	11.353.778	
Gains recognized in equity as per TAS	103.477	
Profit	655.382	
Current Period Profit	655.382	
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	6.947	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>15.470.298</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
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	801.152	
Improvement costs for operating leasing	67.328	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	246.726	246.726
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	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>1.115.206</b>	
Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption	426.774	
<b>Total Common Equity Tier 1 Capital</b>	<b>14.781.866</b>	

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

	Current Period March 31, 2019	Amounts subject to treatment before 1/1/2014
<b>ADDITIONAL TIER I CAPITAL</b>		
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)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>		
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	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier I 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 I 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 (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>14.781.866</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	3.415.562	
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)	1.572.962	
<b>Tier II Capital Before Deductions</b>	<b>4.988.524</b>	
<b>Deductions From Tier II Capital</b>		
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 (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>4.988.524</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>19.770.390</b>	
<b>Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	11.593	
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 (-)	31.587	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
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	-	

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

	<b>Current Period</b> <b>March 31, 2019</b>	<b>Amounts subject to</b> <b>treatment before</b> <b>1/1/2014</b>
<b>TOTAL CAPITAL</b>		
Total Capital	19.727.210	
Total risk weighted amounts	141.250.196	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio	%10,47	
Tier 1 Capital Adequacy Ratio	%10,47	
Capital Adequacy Ratio	%13,97	
<b>BUFFERS</b>		
Bank specific total common equity tier 1 capital ratio	%2,51	
a) Capital conservation buffer requirement	%2,50	
b) Bank specific counter-cyclical buffer requirement	%0,01	
c) Systemic significant bank buffer ratio	-	
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	%4,46	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
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	160.531	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before ten thousand twenty-five limitation)	3.030.664	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.572.962	
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	-	
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
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	3.415.562	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.627.931	

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**Components of consolidated shareholders' equity items:**

	Prior Period December 31, 2018	Amounts subject to treatment before 1/1/2014
<b>COMMON EQUITY</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank's	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	-	
Minority shares	6.791	
<b>Common Equity Before Deductions</b>	<b>14.822.342</b>	
<b>Common Equity Tier 1 Capital Before Deductions</b>		
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	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>1.070.379</b>	
Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption	569.032	
<b>Total Common Equity Tier 1 Capital</b>	<b>14.320.995</b>	

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

	Prior Period December 31, 2018	Amounts subject to treatment before 1/1/2014
<b>ADDITIONAL TIER I CAPITAL</b>		
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)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>		
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	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>		
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 (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>14.320.995</b>	
<b>TIER II CAPITAL</b>		
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	
<b>Tier II Capital Before Deductions</b>	<b>4.756.934</b>	
<b>Deductions From Tier II Capital</b>		
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 (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>4.756.934</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital) ( Before deduction )</b>	<b>19.077.929</b>	
<b>Deductions from Total Capital</b>		
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	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
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 (-)	-	

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

	Prior Period December 31, 2018	Amounts subject to treatment before 1/1/2014
<b>TOTAL CAPITAL</b>		
Total Capital	18.994.391	
Total risk weighted amounts	127.985.545	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio	11,19%	
Tier I Capital Adequacy Ratio	11,19%	
Capital Adequacy Ratio	14,84%	
<b>BUFFERS</b>		
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	-	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
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	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before ten thousand twenty-five limitation)	2.938.181	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.448.219	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
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	

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**

*(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)	1.801	107	67	1.441
Par value of instrument (Currency in million)	1.801	1.108	693	1.441
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	-	-	-	-

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**

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

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
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.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**

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

**Information on Article 5 of the Regulation on Equities of Banks:**

<b>EQUITY ITEMS</b>	<b>T</b>	<b>T-1</b>	<b>T-2</b>	<b>T-3</b>
Common Equity	14.781.866	14.639.608	14.497.350	14.355.092
Transition process not implemented Common Equity	14.355.092	14.355.092	14.355.092	14.355.092
Tier 1 Capital	14.781.866	14.639.608	14.497.350	14.355.092
Transition process not implemented Tier 1 Capital	14.355.092	14.355.092	14.355.092	14.355.092
Total Capital	19.727.210	19.584.952	19.442.694	19.300.436
Transition process not implemented Equity	19.300.436	19.300.436	19.300.436	19.300.436
<b>TOTAL RISK WEIGHTED AMOUNTS</b>				
Total Risk Weighted Amounts	141.250.196	141.250.196	141.250.196	141.250.196
<b>Capital Adequacy Ratio</b>				
Common Equity Adequacy Ratio (%)	10,47%	10,36%	10,26%	10,16%
Transition process not implemented Common Equity Ratio (%)	10,16%	10,16%	10,16%	10,16%
Tier 1 Capital Adequacy Ratio (%)	10,47%	10,36%	10,26%	10,16%
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	10,16%	10,16%	10,16%	10,16%
Capital Adequacy Ratio (%)	13,97%	13,87%	13,76%	13,66%
Transition process not implemented Capital Adequacy Ratio (%)	13,66%	13,66%	13,66%	13,66%
<b>LEVERAGE</b>				
Leverage Ratio Total Risk Amount	241.419.674	241.419.674	241.419.674	241.419.674
Leverage (%)	6,10%	6,10%	6,10%	6,10%
Transition process not implemented Leverage Ratio (%)	5,95%	5,95%	5,95%	5,95%

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

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

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

**II. Explanations on Consolidated Risk Management**

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette no. 29511 on October 23, 2015 and became effective as of March 31, 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Parent Bank, the following tables have not been presented as of March 31, 2019

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

**1. Overview of RWA**

	Risk Weighted Assets		Minimum Capital Requirements	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
1 Credit risk (excluding counterparty credit risk)	121.318.008	112.159.311	9.705.441	8.972.745
2 Standardised approach	121.318.008	112.159.311	9.705.441	8.972.745
3 Internal rating-based approach	-	-	-	-
4 Counterparty credit risk	4.518.944	3.698.238	361.516	295.859
5 Standardised approach for counterparty credit risk	4.518.944	3.698.238	361.516	295.859
6 Internal model method	-	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8 Investments made in collective investment companies – look-through approach	-	-	-	-
9 Investments made in collective investment companies – mandate-based approach	-	-	-	-
10 Investments made in collective investment companies – 1250% weighted risk approach	-	-	-	-
11 Settlement risk	-	-	-	-
12 Securitisation exposures in banking accounts	-	-	-	-
13 IRB ratings-based approach	-	-	-	-
14 IRB Supervisory Formula Approach	-	-	-	-
15 SA/simplified supervisory formula approach	-	-	-	-
16 Market risk	2.324.113	1.654.488	185.929	132.359
17 Standardised approach	2.324.113	1.654.488	185.929	132.359
18 Internal model approaches	-	-	-	-
19 Operational risk	13.089.131	10.473.508	1.047.130	837.881
20 Basic Indicator Approach	13.089.131	10.473.508	1.047.130	837.881
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	-	-	-	-
<b>25 TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>141.250.196</b>	<b>127.985.545</b>	<b>11.300.016</b>	<b>10.238.844</b>

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(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 TL 5,5423  
Euro purchase rate in the balance sheet date TL 6,2335

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
March 29, 2019	5,5423	6,2335
March 28, 2019	5,3307	6,0091
March 27, 2019	5,4945	6,2162
March 26, 2019	5,6458	6,3858
March 25, 2019	5,5274	6,2630

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

The basic arithmetical average of the Parent Bank's US Dollar and Euro purchase rates for March 2019 are TL 5,4419 and TL 6,1580 respectively.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(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)**

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank <sup>(1)</sup>	10.367.299	6.602.532	1.923.836	18.893.667
Due From Banks	686.463	4.678.626	50.253	5.415.342
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) <sup>(2)</sup>	376.884	424.695	348	801.927
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI)	1.814.333	3.636.048	-	5.450.381
Loans <sup>(3)</sup>	21.753.746	15.787.927	224.465	37.766.138
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	1.553.565	5.413.376	-	6.966.941
Derivative Financial Assets Hedging Purposes	2.581	62.204	-	64.785
Tangible Assets	-	-	65	65
Intangible Assets	-	-	-	-
Other Assets <sup>(4)</sup>	1.470.813	1.990.096	638	3.461.547
<b>Total Assets</b>	<b>38.025.684</b>	<b>38.595.504</b>	<b>2.199.605</b>	<b>78.820.793</b>
<b>Liabilities</b>				
Bank Deposits	1.609.995	2.157.757	114.070	3.881.822
Foreign Currency Deposits <sup>(5)</sup>	10.286.579	30.141.588	3.144.796	43.572.963
Money Market Borrowings	1.385.647	5.906.676	-	7.292.323
Funds Provided from Other Financial Institutions	8.506.851	15.149.871	405.612	24.062.334
Securities Issued	325.037	10.296.345	63.246	10.684.628
Sundry Creditors	6.246.633	1.057.882	1.251	7.305.766
Derivative Fin. Liabilities Hedging Purposes	124.644	482.646	-	607.290
Other Liabilities <sup>(6)</sup>	483.057	1.154.147	7.568	1.644.772
<b>Total Liabilities</b>	<b>28.968.443</b>	<b>66.346.912</b>	<b>3.736.543</b>	<b>99.051.898</b>
<b>Net Balance Sheet Position</b>	<b>9.057.241</b>	<b>(27.751.408)</b>	<b>(1.536.938)</b>	<b>(20.231.105)</b>
<b>Net Off-Balance Sheet Position</b>				
Financial Derivative Assets	16.187.200	71.335.689	1.702.838	89.225.727
Financial Derivative Liabilities	25.163.076	44.309.836	155.167	69.628.079
Non-Cash Loans <sup>(7)</sup>	7.685.285	8.029.325	451.917	16.166.527
<b>Prior Period</b>				
Total Assets	31.675.237	30.711.975	2.314.973	64.702.185
Total Liabilities	25.870.380	55.885.761	4.617.709	86.373.850
<b>Net Balance Sheet Position</b>	<b>5.804.857</b>	<b>(25.173.786)</b>	<b>(2.302.736)</b>	<b>(21.671.665)</b>
<b>Net Off-Balance Sheet Position</b>				
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	7.367.223	7.133.391	443.815	14.944.429

(1) Cash and Balances with TR Central; Other FC include TL 1.873.124 (December 31, 2018 – TL 2.020.547) precious metal deposit account.

(2) Does not include TL 114.014 (December 31, 2018 – TL 57.113) of currency income accruals arising from derivative transactions.

(3) Includes TL 1.843.690 (December 31, 2018 – TL 2.162.619) FC indexed loans. Does not include repealed financial leasing receivables amounting to TL 51.536 (December 31 2018 – TL 53.998) accounted as FC in balance sheet. Includes FC indexed factoring receivables is none (December 31, 2018 – TL 27.754) accounted as TL in balance sheet.

(4) Does not include FC prepaid expenses amounting to TL 31.476 (December 31, 2018 – TL 11.258) as per BRSA's Communiqué published in Official Gazette no 26085 on February 19, 2006.

(5) Foreign currency deposits include TL 2.362.788 (December 31, 2018 – TL 1.862.513) of precious metal deposit account.

(6) Other Liabilities do not include the Foreign Currency Index Factoring payables amounting to TL 6.158.

(7) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 46.459 (December 31, 2018 – TL 75.265)

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(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 month 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 six 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 <sup>(1)</sup>	Total
<b>Current Period</b>							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank <sup>(2)</sup>	7.089.689	-	-	-	-	13.236.171	20.325.860
Due from Banks <sup>(3)</sup>	2.483.857	189.661	-	-	-	2.745.094	5.418.612
Financial Assets at Fair Value Through Profit/Loss <sup>(4)</sup>	8.286	496	119.707	22.800	2.264	9.614.025	9.767.578
Money Market Placements	196.188	2.214	-	-	-	-	198.402
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) <sup>(5)</sup>	864.371	1.861.875	1.667.100	2.681.264	2.811.025	2.360.296	12.245.931
Loans and Receivables	31.281.508	16.250.230	20.433.267	26.246.384	3.672.202	4.533.705	102.417.296
Financial Assets Measured at Amortized Cost <sup>(6)</sup>	982.828	2.507.150	4.651.384	2.661.684	3.534.342	713.701	15.051.089
Other Assets	-	-	-	-	-	10.332.797	10.332.797
<b>Total Assets</b>	<b>42.906.727</b>	<b>20.811.626</b>	<b>26.871.458</b>	<b>31.612.132</b>	<b>10.019.833</b>	<b>43.535.789</b>	<b>175.757.565</b>
Liabilities							
Bank Deposits	2.003.432	1.150.917	49.823	-	-	735.208	3.939.380
Other Deposits	52.925.323	9.962.014	4.031.938	101.918	97	19.680.127	86.701.417
Money Market Borrowings	3.504.884	859.846	3.536.258	171.019	-	30.551	8.102.558
Sundry Creditors	7.162.371	-	-	-	-	3.367.333	10.529.704
Securities Issued	5.067.283	4.640.233	207.641	3.997.539	2.760.679	160.725	16.834.100
Funds Borrowed	2.950.511	13.755.999	5.203.192	1.133.606	2.388.434	2.280	25.434.022
Other Liabilities <sup>(7)</sup>	1.386	2.570	11.572	20.374	-	24.180.482	24.216.384
<b>Total Liabilities</b>	<b>73.615.190</b>	<b>30.371.579</b>	<b>13.040.424</b>	<b>5.424.456</b>	<b>5.149.210</b>	<b>48.156.706</b>	<b>175.757.565</b>
On Balance Sheet Long Position	-	-	13.831.034	26.187.676	4.870.623	-	44.889.333
On Balance Sheet Short Position	(30.708.463)	(9.559.953)	-	-	-	(4.620.917)	(44.889.333)
Off-Balance Sheet Long Position	(468)	4.539	13.852.874	24.055.347	4.780.583	-	42.692.875
Off-Balance Sheet Short Position	(30.072.071)	(8.759.797)	-	(36.818)	(37.015)	(3.847.895)	(42.753.596)
<b>Total Position</b>	<b>(60.781.002)</b>	<b>(18.315.211)</b>	<b>27.683.908</b>	<b>50.206.205</b>	<b>9.614.191</b>	<b>(8.468.812)</b>	<b>(60.721)</b>

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

<sup>(2)</sup> 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 1.995 expected loss provisions.

<sup>(3)</sup> Banks include balance of expected loss provisions amounting to TL 1.947.

<sup>(4)</sup> Financial Assets at Fair Value Through Profit/Loss include amount of TL 9.573.312 derivative financial assets used for hedging purposes.

<sup>(5)</sup> Financial Assets Measured at Fair Value through Other Comprehensive Income include amount of TL 2.562.019 derivative financial assets through other comprehensive income.

<sup>(6)</sup> Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 18.998.

<sup>(7)</sup> Other Liabilities include Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income amounting to TL 363.059.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(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 <sup>(1)</sup>	Total
<b>Prior Period</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	6.948.670	-	-	-	-	11.525.632	18.474.302
Due from Banks	63.245	-	77	-	-	1.178.289	1.241.611
Financial Assets at Fair Value Through Profit/Loss <sup>(2)</sup>	19.561	13.878	111.337	12.758	7.828	9.577.455	9.742.817
Money Market Placements	507.706	-	2.000	-	-	-	509.706
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI)	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	26.490.138	25.786.714	3.760.403	4.385.104	100.266.559
Financial Assets Measured at Amortized Cost	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
<b>Total Assets</b>	<b>38.250.795</b>	<b>12.978.658</b>	<b>33.417.216</b>	<b>29.428.508</b>	<b>10.001.554</b>	<b>39.423.503</b>	<b>163.500.234</b>
<b>Liabilities</b>							
Bank Deposits	2.399.564	660.154	53.659	-	-	564.208	3.677.585
Other Deposits	45.208.078	15.892.388	6.055.592	150.735	164	15.841.674	83.148.631
Money Market Borrowings	2.193.999	1.712.362	1.324.744	41.625	37.132	23.810	5.333.672
Sundry Creditors	6.212.585	-	-	-	-	3.145.516	9.358.101
Securities Issued	1.611.103	3.503.049	2.882.177	3.799.105	-	54.643	11.850.077
Funds Borrowed	3.700.911	5.148.542	12.742.802	1.421.288	2.352.810	1.978	25.368.331
Other Liabilities <sup>(3)</sup>	51.259	2.539	11.242	149.295	-	24.549.502	24.763.837
<b>Total Liabilities</b>	<b>61.377.499</b>	<b>26.919.034</b>	<b>23.070.216</b>	<b>5.562.048</b>	<b>2.390.106</b>	<b>44.181.331</b>	<b>163.500.234</b>
On Balance Sheet Long Position	-	-	10.347.000	23.866.460	7.611.448	-	41.824.908
On Balance Sheet Short Position	(23.126.704)	(13.940.376)	-	-	-	(4.757.828)	(41.824.908)
Off-Balance Sheet Long Position	5.271.880	21.627.288	1.917.808	-	-	-	28.816.976
Off-Balance Sheet Short Position	-	-	-	(15.205.275)	(7.384.089)	-	(22.589.364)
<b>Total Position</b>	<b>(17.854.824)</b>	<b>7.686.912</b>	<b>12.264.808</b>	<b>8.661.185</b>	<b>227.359</b>	<b>(4.757.828)</b>	<b>6.227.612</b>

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

<sup>(2)</sup> Financial Assets at Fair Value Through Profit/Loss include TL 9.587.046 derivative financial assets through profit and loss.

<sup>(3)</sup> Other Liabilities include Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income amounting to TL 336.173.

**Average interest rates applied to monetary financial instruments**

	EUR %	USD %	JPY %	TL %
<b>Current Period</b>				
<b>Assets</b>				
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	0,01	2,38	-	-
Financial Assets Measured at Fair Value through Profit/Loss	2,75	9,91	-	21,25
Money Market Placements	-	-	-	25,65
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,73	5,10	-	20,65
Loans and Receivables	4,88	7,34	2,38	20,62
Financial Assets Measured at Amortized Cost	3,97	5,41	-	18,99
<b>Liabilities</b>				
Bank Deposits	0,75	3,40	-	21,19
Other Deposits	0,94	3,10	0,46	19,95
Money Market Borrowings	0,34	2,52	-	24,43
Sundry Creditors	(0,37)	2,40	-	-
Securities Issued	1,64	6,05	-	21,44
Funds Borrowed	2,44	5,60	-	20,57

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**Average interest rates applied to monetary financial instruments**

	EUR %	USD %	JPY %	TL %
<b>Prior Period</b>				
<b>Assets</b>				
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 at Fair Value Through Profit/Loss	1,98	6,10	-	18,83
Money Market Placements	-	-	-	26,04
Financial Assets 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
<b>Liabilities</b>				
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

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

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Market Value
<b>1. Equity Investments Group A</b>	<b>33.254</b>	-	<b>33.254</b>
Quoted Securities	33.254	-	33.254
<b>2. Equity Investments Group B</b>	-	-	-
Quoted Securities	-	-	-
<b>3. Equity Investments Group C</b>	-	-	-
Quoted Securities	-	-	-
<b>4. Equity Investments Group Other</b>	<b>204.567<sup>(*)</sup></b>	<b>148.674</b>	-

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

Portfolio	Revaluation Surpluses				Unrealized Gains and Losses	
	Gains/Losses in Current Period	Total	Amount under Core Capital		Amount under Core Capital	Amount under Supplementary Capital
			Total	Total		
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	2.966	-	-	2.416	-	1.087
3. Other Shares	-	-	-	-	-	-
<b>4. Total</b>	<b>2.966</b>	<b>-</b>	<b>-</b>	<b>2.416</b>	<b>-</b>	<b>1.087</b>

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**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.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**Liquidity Coverage Ratio**

<b>Current Period – March 31, 2019</b>	<b>Unweighted Amounts<sup>(*)</sup></b>		<b>Weighted Amounts<sup>(*)</sup></b>	
	<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>HIGH QUALITY LIQUID ASSETS</b>			<b>31.293.621</b>	<b>18.328.920</b>
1. High Quality Liquid Assets	31.293.621	18.328.920	31.293.621	18.328.920
<b>CASH OUTFLOWS</b>				
2. Retail and Small Business Customers Deposits	64.951.480	30.198.082	5.892.227	3.019.808
3. Stable deposits	12.058.413	-	602.921	-
4. Less stable deposits	52.893.067	30.198.082	5.289.306	3.019.808
5. Unsecured Funding other than Retail and Small Business Customers Deposits	26.869.908	13.178.324	16.894.167	8.471.148
6. Operational deposits	649.983	120.218	162.496	30.054
7. Non-Operational Deposits	19.433.168	10.929.790	11.457.205	6.359.920
8. Other Unsecured Funding	6.786.757	2.128.316	5.274.466	2.081.174
9. Secured funding	-	-	251.420	251.420
10. Other Cash Outflows	20.133.563	15.533.186	20.133.563	15.533.186
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	20.133.563	15.533.186	20.133.563	15.533.186
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	28.486.503	1.502.994	1.424.325	75.150
15. Other irrevocable or conditionally revocable commitments	63.565.990	16.072.730	4.807.457	1.490.870
<b>16. TOTAL CASH OUTFLOWS</b>			<b>49.403.159</b>	<b>28.841.582</b>
<b>CASH INFLOWS</b>				
17. Secured Lending Transactions	17.905	-	-	-
18. Unsecured Lending Transactions	9.224.990	2.580.193	6.000.084	2.278.181
19. Other contractual cash inflows	18.372.108	15.061.270	18.372.108	15.061.270
<b>20. TOTAL CASH INFLOWS</b>	<b>27.615.003</b>	<b>17.641.463</b>	<b>24.372.192</b>	<b>17.339.451</b>
			<b>Capped Amounts</b>	
<b>21. TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>31.293.621</b>	<b>18.328.920</b>
<b>22. TOTAL NET CASH OUTFLOWS</b>			<b>25.030.967</b>	<b>11.516.999</b>
<b>23. LIQUIDITY COVERAGE RATIO (%)</b>			<b>125,02%</b>	<b>159,15%</b>

(\*) Basic arithmetic average calculated for the last three month of values calculated by taking the monthly basic arithmetic average.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

<b>Prior Period- December 31, 2018</b>	<b>Unweighted Amounts<sup>(*)</sup></b>		<b>Weighted Amounts<sup>(*)</sup></b>	
	<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>HIGH QUALITY LIQUID ASSETS</b>			<b>29.090.785</b>	<b>17.514.960</b>
1. High Quality Liquid Assets	29.090.785	17.514.960	29.090.785	17.514.960
<b>CASH OUTFLOWS</b>				
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
<b>16. TOTAL CASH OUTFLOWS</b>			<b>47.781.545</b>	<b>26.752.828</b>
<b>CASH INFLOWS</b>				
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
<b>20. TOTAL CASH INFLOWS</b>	<b>25.690.869</b>	<b>15.996.749</b>	<b>22.369.652</b>	<b>15.731.924</b>
			<b>Capped Amount</b>	
<b>21. TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>29.090.785</b>	<b>17.514.960</b>
<b>22. TOTAL NET CASH OUTFLOWS</b>			<b>25.411.893</b>	<b>11.020.904</b>
<b>23. LIQUIDITY COVERAGE RATIO (%)</b>			<b>114,48%</b>	<b>158,92%</b>

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**

*(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:

	<b>Maximum</b>	<b>Week</b>	<b>Minimum</b>	<b>Week</b>	<b>Average</b>
<b>TL+FC</b>	148,22	20.03.2019	106,66	01.01.2019	125,69
<b>FC</b>	274,15	26.03.2019	116,12	07.01.2019	165,06

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 52% of total liabilities of the Group (December 31, 2018 – 53%) 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.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**Presentation of assets and liabilities according to their remaining maturities**

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Unallocated<sup>(1)</sup></b>	<b>Total</b>
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank <sup>(2)</sup>	9.285.189	11.042.666	-	-	-	-	(1.995)	20.325.860
Due from Banks <sup>(3)</sup>	2.745.094	2.485.804	189.661	-	-	-	(1.947)	5.418.612
Financial Assets at Fair Value Through Profit/Loss <sup>(4)</sup>	16.347	719.224	955.915	2.251.204	5.193.664	560.091	71.133	9.767.578
Money Market Placements	-	196.188	2.214	-	-	-	-	198.402
Financial Assets Measured at Fair Value through Other Comprehensive Income <sup>(5)</sup>	146.159	259.540	201.128	1.983.369	5.964.019	3.691.716	-	12.245.931
Loans and Receivables <sup>(6)</sup>	-	19.653.457	9.258.889	25.088.680	33.928.172	12.828.681	1.659.417	102.417.296
Financial Assets Measured at Amortized Cost <sup>(7)</sup>	-	170.366	135.114	1.201.387	7.093.364	6.469.856	(18.998)	15.051.089
Other Assets	-	4.727.863	9.803	25.018	1.013.377	2.206	4.554.530	10.332.797
<b>Total Assets</b>	<b>12.192.789</b>	<b>39.255.108</b>	<b>10.752.724</b>	<b>30.549.658</b>	<b>53.192.596</b>	<b>23.552.550</b>	<b>6.262.140</b>	<b>175.757.565</b>
<b>Liabilities</b>								
Bank Deposits	728.122	2.007.296	1.153.235	50.727	-	-	-	3.939.380
Other Deposits	18.912.411	53.281.993	10.174.089	4.227.053	105.771	100	-	86.701.417
Funds Borrowed	-	1.334.953	2.023.960	8.929.091	6.710.631	6.435.387	-	25.434.022
Money Market Borrowings	-	3.156.706	732.279	2.295.262	1.046.315	871.996	-	8.102.558
Securities Issued	-	5.140.926	3.367.170	821.575	4.707.176	2.797.253	-	16.834.100
Sundry Creditors	-	3.483.838	18	2.054.630	4.991.218	-	-	10.529.704
Other Liabilities <sup>(8)</sup>	25.032	2.518.900	597.619	1.309.015	3.092.820	760.832	15.912.166	24.216.384
<b>Total Liabilities</b>	<b>19.665.565</b>	<b>70.924.612</b>	<b>18.048.370</b>	<b>19.687.353</b>	<b>20.653.931</b>	<b>10.865.568</b>	<b>15.912.166</b>	<b>175.757.565</b>
<b>Liquidity Excess / Gap</b>	<b>(7.472.776)</b>	<b>(31.669.504)</b>	<b>(7.295.646)</b>	<b>10.862.305</b>	<b>32.538.665</b>	<b>12.686.982</b>	<b>(9.650.026)</b>	<b>-</b>
<b>Net Off- Balance Sheet Position<sup>(9)</sup></b>								
Receivables from financial derivative instruments	-	20.922.956	13.931.332	15.536.508	36.721.062	19.850.469	-	106.962.327
Liabilities from derivative financial instruments	-	20.308.878	13.297.588	14.115.151	34.573.094	19.772.237	-	102.066.948
<b>Non Cash Loans<sup>(10)</sup></b>	<b>-</b>	<b>14.118</b>	<b>2.102</b>	<b>242.259</b>	<b>16.834.742</b>	<b>875.396</b>	<b>8.021.932</b>	<b>25.990.549</b>
<b>Prior period</b>								
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
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
<b>Liquidity Gap</b>	<b>(6.679.705)</b>	<b>(26.810.717)</b>	<b>(12.285.982)</b>	<b>9.295.986</b>	<b>31.229.856</b>	<b>14.850.441</b>	<b>(9.599.879)</b>	<b>-</b>
<b>Net Off- Balance Sheet Position<sup>(9)</sup></b>								
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
<b>Non Cash Loans<sup>(10)</sup></b>	<b>-</b>	<b>1.246.671</b>	<b>2.179.701</b>	<b>8.419.216</b>	<b>2.914.717</b>	<b>412.843</b>	<b>8.516.098</b>	<b>23.689.246</b>

<sup>(1)</sup> 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 15.122.496 and also include amount of TL 713.786 unallocated provisions and deferred tax liabilities.

<sup>(2)</sup> 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 1.995.

<sup>(3)</sup> Banks include balance of expected loss provisions amounting to TL 1.947.

<sup>(4)</sup> Financial assets at fair value through profit/loss include derivative financial assets through profit loss amounting to TL 9.573.312.

<sup>(5)</sup> Financial assets at fair value through other comprehensive income include derivative financial assets through other comprehensive income amounting to TL 2.562.019.

<sup>(6)</sup> Loans and receivables include leasing and factoring receivables.

<sup>(7)</sup> Financial assets measured at amortized cost include TL 18.998 of expected loss provisions.

<sup>(8)</sup> Other Liabilities include Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income amounting to TL 363.059

<sup>(9)</sup> 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.

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(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 6,10% (December 31, 2018: 6,21%). 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:**

	<b>Current Period<sup>(**)</sup></b>	<b>Prior Period<sup>(**)</sup></b>
<b>1</b> Total asset amount in consolidated financial statements prepared in accordance with TFRS (*)	168.329.361	164.418.175
<b>2</b> 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	305.901	351.253
<b>3</b> 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	1.580.602	1.411.506
<b>4</b> 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	6.068	1.509
<b>5</b> 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	71.603.727	66.754.396
<b>6</b> Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	(405.985)	(476.703)
<b>7 Total Risk Amount</b>	<b>241.419.674</b>	<b>232.460.136</b>

(\*) 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 months.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

c) **Leverage ratio public disclosure template**

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

	Book Value	
	Current Period (*)	Prior Period (*)
<b>Assets on Balance sheet</b>		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	157.022.700	150.821.711
(Assets deducted from capital stock)	405.985	476.703
<b>Total risk amount related to Assets on Balance sheet</b>	<b>156.616.715</b>	<b>150.345.008</b>
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	11.612.562	13.947.717
Potential credit risk amount of derivative financial instruments and credit derivatives	1.580.602	1.411.506
<b>Total risk amount related to derivative financial instruments and credit derivatives</b>	<b>13.193.164</b>	<b>15.359.223</b>
<b>Financial transactions having security or commodity collateral</b>		
Risk amount of financial transactions having security or commodity collateral	4.996	1.509
Risk amount sourcing from transactions mediated	1.072	-
<b>Total risk amount related to financial transactions having security or commodity collateral</b>	<b>6.068</b>	<b>1.509</b>
<b>Off-Balance sheet Transaction</b>		
Gross nominal amount of off-balance sheet transactions	97.181.910	93.141.238
(Adjustment amount sourcing from multiplying to credit conversion rates)	25.578.183	26.386.842
<b>Total risk amount related to off-balance sheet transactions</b>	<b>71.603.727</b>	<b>66.754.396</b>
<b>Capital and Total Risk</b>		
Core Capital	14.727.399	14.432.959
Amount of total risk	241.419.674	232.460.136
<b>Financial leverage ratio</b>		
Financial leverage ratio	6,10%	6,21%

(\*) Amounts stated in table shows the last three months averages of the related period.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(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	660.823	751.420	787.020	849.141
T.R. Central Bank	731.273	18.132.543	1.035.698	15.770.333
Others	42.092	9.704	-	69.251
<b>Total</b>	<b>1.434.188</b>	<b>18.893.667</b>	<b>1.822.718</b>	<b>16.688.725</b>

**b) Balances with the Central Bank of Turkey**

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	731.273	7.089.877	1.035.698	4.950.681
Restricted Time Deposits	-	11.042.666	-	10.819.652
<b>Total</b>	<b>731.273</b>	<b>18.132.543</b>	<b>1.035.698</b>	<b>15.770.333</b>

As of March 31, 2019 amount of TL 1.995 (December 31, 2018 – TL 37.141) provision provided for the account T.R. Central Bank.

As of March 31, 2019, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 1% to 7% depending on the maturity of deposits (December 31, 2018 – 1,5% to 8%) 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, 2018 – 4% and 20%). 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	3.094	676	3.676	695
Subject to repurchase agreement	-	-	-	-
<b>Total</b>	<b>3.094</b>	<b>676</b>	<b>3.676</b>	<b>695</b>

**b) Positive differences on trading derivative instruments**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	55.513	1.484	138.487	-
Swap Transactions	4.321.959	637.898	4.674.014	428.270
Futures	-	691	-	2.576
Options	10.762	151.000	120	188.916
Other	-	-	-	-
<b>Total</b>	<b>4.388.234</b>	<b>791.073</b>	<b>4.812.621</b>	<b>619.762</b>

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**3. a) Information on banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	5.212	977.368	205.457	1.210
Foreign	5	4.437.974	6	1.035.379
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>5.217</b>	<b>5.415.342</b>	<b>205.463</b>	<b>1.036.589</b>

Amount of TL 1.947 provision established for banks account as of March 31, 2019 (December 31, 2018 – 441).

**b) Information on foreign bank accounts**

	Unrestricted Amount		Restricted Amount <sup>(**)</sup>	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	942.914	228.892	33.723	39.428
USA and Canada	3.269.575	568.966	167.484	160.682
OECD Countries <sup>(*)</sup>	1.865	1.535	-	-
Off-shore Banking Regions	-	-	-	-
Other	22.418	35.882	-	-
<b>Total</b>	<b>4.236.772</b>	<b>835.275</b>	<b>201.207</b>	<b>200.110</b>

<sup>(\*)</sup> Include OECD countries other than the EU countries, USA and Canada.

<sup>(\*\*)</sup> Includes blocked placements amounting to TL 201.207 at foreign banks (December 31, 2018 - TL 200.110) for the funds borrowed from foreign banks.

**4. Information on receivables from reverse repurchase agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From domestic transactions</b>	-	-	<b>100.070</b>	-
T.R. Central Bank	-	-	-	-
Banks	-	-	100.070	-
Brokerage Houses	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
<b>From foreign transactions</b>	-	-	-	-
T.R. Central Bank	-	-	-	-
Banks	-	-	-	-
Brokerage Houses	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
<b>Total</b>	-	-	<b>100.070</b>	-

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(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) Information on financial assets measured at fair value through other comprehensive income subject to repurchase agreements and provided as Collateral /blocked**

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	91.645	1.018.249	66.853	654.173
Subject to repurchase agreements	237.970	3.789.498	92.213	2.722.377
<b>Total</b>	<b>329.615</b>	<b>4.807.747</b>	<b>159.066</b>	<b>3.376.550</b>

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

	Current Period	Prior Period
<b>Debt securities</b>	<b>10.121.867</b>	<b>8.742.018</b>
Quoted on a stock exchange (*)	10.121.867	8.742.018
Unquoted on a stock exchange	-	-
<b>Share certificates</b>	<b>147.783</b>	<b>119.995</b>
Quoted on a stock exchange	1.518	1.718
Unquoted on a stock exchange(**)	146.265	118.277
<b>Impairment provision (-)(***)</b>	<b>(585.738)</b>	<b>(416.240)</b>
<b>Total</b>	<b>9.683.912</b>	<b>8.445.773</b>

(\*) The Eurobond Portfolio amounting to TL 2.525.656 (December 31, 2018 - TL 2.654.262) 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 of March 31, 2019 amount of TL 1.843 (December 31, 2018 - 19.492) provision provided for financial assets measured at fair value through other comprehensive income account.

**6. Information related to loans**

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	<b>1.761</b>	<b>-</b>	<b>1.755</b>	<b>-</b>
Corporate Shareholders	1.761	-	1.755	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	88.878	-	85.830	-
<b>Total</b>	<b>90.639</b>	<b>-</b>	<b>87.585</b>	<b>-</b>

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

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

**b.1) Loans at Measured at Amortized Cost**

Cash Loans	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	Refinance
			Loans and Receivables with Revised Contract Terms	
<b>Non Specialized Loans</b>	<b>86.319.030</b>	<b>6.641.735</b>	<b>391.239</b>	<b>5.027.115</b>
Entreprise Loans	893.250	7.277	-	-
Export Loans	2.283.844	112.217	-	-
Import Loans	17.309	-	-	-
Financial Sector Loans	1.776.309	692	-	-
Consumer Loans	17.092.837	985.373	43.432	1.054.669
Credit Cards	12.815.460	764.891	-	759.946
Other	51.440.021	4.771.285	347.807	3.212.500
<b>Specialized Loans</b>	-	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	<b>86.319.030</b>	<b>6.641.735</b>	<b>391.239</b>	<b>5.027.115</b>

	Standard Loans	Loans Under Close Monitoring
<b>Current Period</b>		
12 Month Expected Credit Losses	1.179.145	-
Significant Increase in Credit Risk	-	1.851.519
<b>Prior Period</b>		
12 Month Expected Credit Losses	1.078.524	-
Significant Increase in Credit Risk	-	1.692.132

**b.2) Loans at Fair Value Through Profit or Loss**

As of March 31, 2019, The Parent Bank has classified the loan amounted to TL 118.730 (December 31, 2018 – 110.032) under financial assets at fair value through profit or loss in accordance with TFRS 9.

**c) Loans according to their maturity structure**

Cash Loans	Standard Loans	Loans Under Close Monitoring	
		Loans without Revised Contract Terms	Restructured Loans
<b>Short-term Loans</b>	32.023.250	765.660	759.946
<b>Medium and Long-term Loans</b>	54.295.780	5.876.075	4.658.408
<b>Total</b>	<b>86.319.030</b>	<b>6.641.735</b>	<b>5.418.354</b>

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(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
<b>Consumer Loans-TL</b>	<b>904.551</b>	<b>16.312.375</b>	<b>17.216.926</b>
Housing Loans	57.432	4.251.701	4.309.133
Automobile Loans	526	14.669	15.195
Personal Need Loans	846.593	12.046.005	12.892.598
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>3.557</b>	<b>1.142</b>	<b>4.699</b>
Housing Loans	3.292	1.066	4.358
Automobile Loans	-	-	-
Personal Need Loans	265	76	341
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>10.845.638</b>	<b>495.678</b>	<b>11.341.316</b>
Installment	3.883.891	495.678	4.379.569
Non- Installment	6.961.747	-	6.961.747
<b>Individual Credit Cards-FC</b>	<b>6.057</b>	<b>-</b>	<b>6.057</b>
Installment	-	-	-
Non- Installment	6.057	-	6.057
<b>Personnel Loans-TL</b>	<b>5.915</b>	<b>39.973</b>	<b>45.888</b>
Housing Loans	41	376	417
Automobile Loans	-	-	-
Personal Need Loans	5.874	39.597	45.471
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>36.347</b>	<b>-</b>	<b>36.347</b>
Installment	13.302	-	13.302
Non-Installment	23.045	-	23.045
<b>Personnel Credit Cards-FC</b>	<b>141</b>	<b>-</b>	<b>141</b>
Installment	-	-	-
Non-Installment	141	-	141
<b>Overdraft Accounts-TL (Real Persons)</b>	<b>1.908.798</b>	<b>-</b>	<b>1.908.798</b>
<b>Overdraft Accounts-FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>13.711.004</b>	<b>16.849.168</b>	<b>30.560.172</b>

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

	<b>Short Term</b>	<b>Medium and Long Term</b>	<b>Total</b>
<b>Commercial Loans with Installment Facility – TL</b>	<b>1.145.197</b>	<b>14.677.117</b>	<b>15.822.314</b>
Real Estate Loans	6.206	391.120	397.326
Automobile Loans	3.199	101.582	104.781
Personal Need Loans	1.135.792	14.184.415	15.320.207
Other	-	-	-
<b>Commercial Loans with Installment Facility - FC Indexed</b>	<b>441.464</b>	<b>591.268</b>	<b>1.032.732</b>
Real Estate Loans	11.147	12.120	23.267
Automobile Loans	20.581	40.038	60.619
Personal Need Loans	409.736	539.110	948.846
Other	-	-	-
<b>Commercial Loans with Installment Facility - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards –TL</b>	<b>2.919.299</b>	<b>35.518</b>	<b>2.954.817</b>
Installment	670.691	35.518	706.209
Non-Installment	2.248.608	-	2.248.608
<b>Corporate Credit Cards –FC</b>	<b>1.619</b>	<b>-</b>	<b>1.619</b>
Installment	-	-	-
Non-Installment	1.619	-	1.619
<b>Overdraft Accounts-TL (Legal Entities)</b>	<b>1.203.964</b>	<b>-</b>	<b>1.203.964</b>
<b>Overdraft Accounts-FC (Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>5.711.543</b>	<b>15.303.903</b>	<b>21.015.446</b>

**f) Loans according to borrowers**

	<b>Current Period</b>	<b>Prior Period</b>
Public	-	101.668
Private	98.379.119	95.307.385
<b>Total</b>	<b>98.379.119</b>	<b>95.409.053</b>

**g) Domestic and foreign loans**

	<b>Current Period</b>	<b>Prior Period</b>
Domestic Loans	97.709.074	94.878.795
Foreign Loans	670.045	530.258
<b>Total</b>	<b>98.379.119</b>	<b>95.409.053</b>

**h) Loans granted to subsidiaries and associates**

There are no loans granted to subsidiaries and associates (December 31, 2018-None).

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**i) Specific provisions for loans**

	Current Period	Prior Period
<b>Provisions</b>		
Loans and Receivables with Limited Collectability	582.508	760.596
Loans and Receivables with Doubtful Collectability	864.443	625.240
Uncollectible Loans and Receivables	3.822.058	3.551.336
<b>Total</b>	<b>5.269.009</b>	<b>4.937.172</b>

**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 Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
<b>Current Period</b>			
Gross Amounts Before the Provisions	19.259	27.392	93.981
Restructured Loans	19.259	27.392	93.981
<b>Prior Period</b>			
Gross Amounts Before the Provisions	4.765	28.339	58.313
Restructured Loans	4.765	28.339	58.313

**j.2) Movement of non-performing loans**

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
<b>Prior Period End Balance</b>	<b>1.453.936</b>	<b>1.018.300</b>	<b>4.142.026</b>
Additions (+)	643.661	29.576	44.375
Transfers from Other Categories of Non-Performing Loans (+)	431	964.141	393.096
Transfers to Other Categories of Non-Performing Loans (-)	964.141	393.096	431
Collections (-)	135.527	125.625	141.655
<b>Write-offs</b>	<b>-</b>	<b>-</b>	<b>641</b>
Corporate and Commercial Loans	-	-	350
Consumer Loans	-	-	291
Credit Cards	-	-	-
Others	-	-	-
<b>Current Period End Balance</b>	<b>998.360</b>	<b>1.493.296</b>	<b>4.436.770</b>
Specific Provision (-)	582.508	864.443	3.822.058
<b>Net Balances on Balance Sheet</b>	<b>415.852</b>	<b>628.853</b>	<b>614.712</b>

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

None (December 31, 2018 – None).

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
<b>Current Period (Net)</b>	<b>415.852</b>	<b>628.853</b>	<b>614.712</b>
Loans to Real Persons and Legal Entities (Gross)	998.360	1.493.296	4.390.933
Provision (-)	582.508	864.443	3.776.221
Loans to Real Persons and Legal Entities (Net)	415.852	628.853	614.712
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	45.837
Provision (-)	-	-	45.837
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>693.340</b>	<b>393.061</b>	<b>590.690</b>
Loans to Real Persons and Legal Entities (Gross)	1.453.936	1.018.301	4.108.905
Specific provision (-)	760.596	625.240	3.518.215
Loans to Real Persons and Legal Entities (Net)	693.340	393.061	590.690
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	33.121
Specific provision (-)	-	-	33.121
Other Loans and Receivables (Net)	-	-	-

	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
<b>Current Period (Net)</b>			
Interest accruals and valuation differences	97.613	163.526	100.509
Provision amount (-)	67.911	107.876	79.502
<b>Prior Period (Net)</b>			
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 Group'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.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(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	602.101	113.956	836.590	104.385
Medium and Long Term	37.280	-	32.029	-
<b>Total</b>	<b>639.381</b>	<b>113.956</b>	<b>868.619</b>	<b>104.385</b>

As of March 31, 2019 and March 31, 2018, changes in provision for non-performing factoring receivables are as follows:

	Current Period	Prior Period
Prior Period End Balance	67.464	41.794
Provided Provision / (reversal), Net	1.933	2.751
Collections	(7.058)	(1.036)
Write-offs	-	-
<b>Provision at the End of Period</b>	<b>62.339</b>	<b>43.509</b>

**8. Information on Financial Assets Measured at Amortized Cost**

**a) Information on financial assets measured at amortized cost subject to repurchase agreements and provided as Collateral/Blocked**

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	693.542	331.652	628.100	363.462
Subject to repurchase agreements	-	5.899.596	-	3.673.636
<b>Total</b>	<b>693.542</b>	<b>6.231.248</b>	<b>628.100</b>	<b>4.037.098</b>

**b) Information on government debt securities measured at amortized cost**

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	8.103.146	5.777.836	7.916.505	3.995.358
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	411.748	-	288.169
<b>Total</b>	<b>8.103.146</b>	<b>6.189.584</b>	<b>7.916.505</b>	<b>4.283.527</b>

**c) Information on investments securities measured at amortized cost**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Debt Securities</b>	<b>8.103.146</b>	<b>6.966.941</b>	<b>7.916.505</b>	<b>5.015.688</b>
Publicly-traded	8.103.146	6.966.941	7.916.505	5.015.688
Non-publicly traded	-	-	-	-
<b>Provision for losses (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>8.103.146</b>	<b>6.966.941</b>	<b>7.916.505</b>	<b>5.015.688</b>

**d) Movement of financial assets measured at amortized cost**

	Current Period	Prior Period
<b>Balance at the beginning of the period<sup>(*)</sup></b>	<b>12.932.193</b>	<b>8.946.170</b>
Exchange differences on monetary assets	298.720	1.333.014
Acquisitions during the year	2.517.394	2.201.072
Disposals through sales and redemptions	(911.548)	(837.723)
Impairment provision (-)	-	-
Valuation Effect	233.328	1.289.660
<b>The sum of end of the period</b>	<b>15.070.087</b>	<b>12.932.193</b>

As of March 31, 2019, a provision amounting to TL 18.998 ( December 31, 2018 – 37.077) is provided for the financial assets measured at amortized cost.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(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 (%)
Banklararası 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
117.093	64.965	56.060	4.658	-	15.953	9.004	-

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

**9.2. Movements of investments in associates**

	Current Period	Prior Period
<b>Balance at the Beginning of Period</b>	<b>5.982</b>	<b>3.766</b>
<b>Movements During the Period</b>	<b>-</b>	<b>2.216</b>
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 (-)	-	-
<b>Balance at the End of the Period</b>	<b>5.982</b>	<b>5.982</b>
<b>Capital Commitments</b>	<b>-</b>	<b>-</b>
<b>Share Percentage at the end of the Period</b>	<b>-</b>	<b>-</b>

**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	5.982
<b>Total</b>	<b>5.982</b>	<b>5.982</b>

**9.4. Quoted Associates**

None (December 31, 2018 - None).

**9.5. Valuation of investments in associates**

	Current Period	Prior Period
Valued at Cost	5.982	5.982
Valued at Fair Value	-	-
Valued at Equity Method	-	-
<b>Total</b>	<b>5.982</b>	<b>5.982</b>

**9.6. Investments in associates sold during the current period**

None (December 31, 2018 - None).

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**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. İbtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. Ve Tic. A.Ş.	Istanbul/Turkey	99,91	99,99
2. EFİNANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. <sup>(*)</sup>	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.	60.667	19.307	23.578	-	-	3.251	2.642	-
2.	19.474	7.909	5.303	521	-	1.761	579	-

**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	-	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 <sup>(*)</sup>
1.	794.005	190.632	4.728	20.235	342	15.840	11.775	164.952
2.	6.412.067	828.752	9.964	130.495	-	25.893	33.993	550.974
3.	131.779	25.164	3.562	2.277	-	(3.855)	(2.825)	-
4.	11.343	9.392	282	280	-	(398)	(347)	-
5.	1.151.578	143.924	11.697	62.139	-	16.832	8.503	117.168
6.	220	200	-	-	-	-	-	-

<sup>(\*)</sup>Fair values of publicly traded subsidiaries reflect their Borsa Istanbul (BIST) values as of the balance sheet date.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**b.2) Movement of investments in subsidiaries**

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>1.103.202</b>	<b>724.921</b>
<b>Movements during the Period</b>	<b>(211.667)</b>	<b>378.281</b>
Purchases <sup>(*)</sup>	-	15.000
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Difference	(211.667)	363.281
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>891.535</b>	<b>1.103.202</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the end of the Period (%)</b>	-	-

<sup>(\*)</sup>At the prior period, Finans Faktoring A.Ş. has raised its capital at an amount of TL 15.000, this amount was paid by the Bank.

**b.3) Sectoral distribution of the consolidated subsidiaries**

	Current Period	Prior Period
Factoring Companies	117.168	105.614
Leasing Companies	550.974	777.308
Finance Companies	58.395	58.395
Other Subsidiaries	164.998	161.885
<b>Total</b>	<b>891.535</b>	<b>1.103.202</b>

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	550.974	777.308
Quoted on International Stock Exchanges	-	-
<b>Total</b>	<b>550.974</b>	<b>777.308</b>

**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's Risk Group Share (%)
1.	Cigna Finans Emeklilik ve Hayat A.Ş.	İstanbul/Turkey	49,00%	49,00%
2.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	İstanbul/Turkey	33,33%	33,33%

  

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	1.433.936	206.379	16.095	-	-	21.734	23.243	148.673
2.	77.906	57.560	34.074	-	-	4.316	1.951	-

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**11. Information on finance lease receivables (Net):**

**11.1 Maturity analysis of financial lease receivables**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.406.257	1.038.611	1.745.864	1.380.549
Between 1-4 years	3.489.814	2.976.298	3.558.033	3.017.466
Over 4 years	703.043	641.178	759.925	690.084
<b>Total</b>	<b>5.599.114</b>	<b>4.656.087</b>	<b>6.063.822</b>	<b>5.088.099</b>

Finance lease receivables include non-performing finance lease receivables amounting to TL 370.727 (December 31, 2018 – TL 345.070) and specific provisions amounting to TL 121.812 (December 31, 2018 – TL 110.677).

Changes in non-performing finance lease receivables provision as of March 31, 2019 and March 31, 2018, are as follows:

	Current Period	Prior Period
End of the prior period	110.677	98.706
Provided provision / (reversal), Net	-	55.472
Collections	11.445	(5.140)
Written-off	(310)	(38.361)
<b>Provision at the end of the period</b>	<b>121.812</b>	<b>110.677</b>

**11.2 Information on net investment on leases**

	Current Period	Prior Period
Gross Finance Lease Investments	5.607.247	6.075.644
Unearned Finance Income (-)	951.160	987.545
Cancelled Leasing Agreements (-)	-	-
<b>Net Investment on Leases</b>	<b>4.656.087</b>	<b>5.088.099</b>

**11.3 Information of finance lease contracts of the Parent Bank**

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**12. Information on hedging purpose derivatives:**

	Current Period <sup>(***)</sup>		Prior Period	
	TP	YP	TP	YP
Fair Value Hedge (*)	4.376.295	17.710	4.117.133	37.530
Cash Flow Hedge <sup>(**)</sup>	2.514.367	47.652	2.702.865	111.418
Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>6.890.662</b>	<b>65.362</b>	<b>6.819.998</b>	<b>148.948</b>

<sup>(\*)</sup> Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of March 31, 2019, TL 14.551 (December 31, 2018 - TL 31.027) from securities, TL 2.582 (December 31, 2018 - TL 2.049) from funds borrowed, TL 577 (December 31, 2018- TL 4.454) from financial leasing, TL 4.376.295 (December 31, 2018 - TL 4.117.133) 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, 2018 - TL None).

<sup>(\*\*)</sup> Represents the fair value of derivatives which are the hedging instruments of deposits and floating dividends' cash flow risk.

<sup>(\*\*\*)</sup>At the current period, derivative financial assets for fair value hedge has shown at line 1.4.1. and derivative financial assets for cash flow hedge presented at line 1.4.2 in financial statements.

**13. Explanations on investment property**

None (December 31, 2018- None).

**14. Information on tax asset**

As of 31 March 2019, the Parent Bank has deferred tax asset amounting to TL 500.815.

According to TAS 12, the deferred tax assets and liabilities of the consolidated subsidiaries are netted off separately in their financial statements. As of March 31, 2019, the Parent Bank has deferred tax assets amounting to TL 2.202.550 and deferred tax assets amounting to TL 1.701.735, which arise between the carrying amount of the assets and liabilities in the balance sheet and the tax bases determined in accordance with tax legislation and calculated over the amounts to be taken into account in the calculation of financial profit / the tax liability is netted and recorded.

In 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 32.509 are netted under equity. (December 31, 2018 - TL 77.543 deferred tax assets).

	Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Provision for Employee Rights	344.080	452.523	98.083	99.264
Difference Between the Book Value of Financial Assets and Tax Base	4.794.429	2.676.781	1.028.018	574.438
Other	5.007.742	4.004.908	1.076.449	878.363
<b>Deferred Tax Assets</b>			<b>2.202.550</b>	<b>1.552.065</b>
Difference Between the Book Value Financial Fixed Assets and Tax Base	(258.519)	(258.548)	(56.836)	(56.846)
Difference Between the Book Value of Financial Assets and Tax Base	(6.147.571)	(3.287.163)	(1.338.082)	(716.346)
Other	(1.396.126)	(732.184)	(306.817)	(160.792)
<b>Deferred Tax Liabilities</b>			<b>(1.701.735)</b>	<b>(933.984)</b>
<b>Deferred Tax Assets/(Liabilities), Net</b>			<b>500.815</b>	<b>618.081</b>
	Current Period		Prior Period	
	01.01-31.03.2019		01.01-31.03.2018	
Deferred Tax as of January 1 Asset/ (Liability)- Net		618.081		472.654
Deferred Tax (Loss) / Gain		(149.775)		(84.435)
Deferred Tax that is Realized Under Shareholder's Equity		32.509		(20.190)
<b>Deferred Tax Asset/ (Liability) - Net</b>		<b>500.815</b>		<b>368.029</b>

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**15. Information on assets held for sale and discontinued operations**

As of March 31, 2019, the Group does not have any assets held for sale (December 31, 2018-None).

**16. Information on other assets:**

**16.1. Information on prepaid expense, tax and similar items**

	<b>Current Period</b>	<b>Prior Period</b>
Collateral Given for Derivative Transactions	3.480.669	2.175.101
Assets Held for Resale (net)	963.471	879.983
Other Prepaid Expenses	769.082	692.718
Miscellaneous Receivables	427.587	319.200
Cheques Receivables from Other Banks	74.809	714.694
Prepaid rent expenses	185	44.817
Prepaid Agency Commissions	36.596	15.608
Advances Given	16.672	7.522
Other	78.233	100.505
<b>Total</b>	<b>5.847.304</b>	<b>4.950.148</b>

**16.2 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 16.1 section of disclosure.

**17. 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:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Derivative Financial Assets	11.278.896	856.435	11.632.619	768.710
Loans	2.531.096	570.814	2.533.148	364.154
Securities Measured at Amortized Cost	668.169	64.530	942.576	69.946
Financial Assets Measured at Fair Value through Other Comprehensive Income	144.758	(432.557)	101.449	(331.209)
Central Bank	58.455	-	60.220	-
Leasing Receivables	17.282	26.665	16.800	24.567
Banks	214	140	279	-
Financial Assets Measured at Fair Value through Profit/Loss	(2.982)	(95)	339	(58)
Other Accruals	60.853	6.559	13.337	8.260
<b>Total</b>	<b>14.756.741</b>	<b>1.092.491</b>	<b>15.300.767</b>	<b>904.370</b>

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(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
<b>Saving Deposits</b>	<b>2.870.446</b>	-	<b>5.618.912</b>	<b>15.486.663</b>	<b>1.029.860</b>	<b>1.769.450</b>	<b>2.424.478</b>	<b>1.086</b>	<b>29.200.895</b>
<b>Foreign Currency</b>	<b>11.016.764</b>	-	<b>4.108.890</b>	<b>21.847.864</b>	<b>1.909.341</b>	<b>1.577.481</b>	<b>1.011.979</b>	<b>3.134</b>	<b>41.475.453</b>
Residents in Turkey	10.700.423	-	4.018.109	21.398.294	1.832.728	1.513.417	784.822	3.134	40.250.927
Residents Abroad	316.341	-	90.781	449.570	76.613	64.064	227.157	-	1.224.526
<b>Public Sector Deposits</b>	<b>226.318</b>	-	<b>223</b>	<b>1.797</b>	<b>1.300</b>	<b>116</b>	<b>150</b>	-	<b>229.904</b>
<b>Commercial Deposits</b>	<b>2.535.978</b>	-	<b>4.131.558</b>	<b>4.759.884</b>	<b>542.138</b>	<b>277.547</b>	<b>343.827</b>	-	<b>12.590.932</b>
<b>Other Ins. Deposits</b>	<b>53.791</b>	-	<b>46.290</b>	<b>708.356</b>	<b>4.502</b>	<b>19.364</b>	<b>9.142</b>	-	<b>841.445</b>
<b>Precious Metal Deposits</b>	<b>2.209.457</b>	-	-	<b>13.359</b>	<b>243</b>	<b>6.743</b>	<b>132.986</b>	-	<b>2.362.788</b>
<b>Bank Deposits</b>	<b>728.122</b>	-	<b>150.523</b>	<b>2.020.459</b>	<b>984.642</b>	<b>54.521</b>	<b>1.113</b>	-	<b>3.939.380</b>
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	16.978	-	-	-	-	6.550	-	-	23.528
Foreign Banks	92.677	-	150.523	2.020.459	984.642	47.971	1.113	-	3.297.385
Participation Banks	618.467	-	-	-	-	-	-	-	618.467
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>19.640.876</b>	-	<b>14.056.396</b>	<b>44.838.382</b>	<b>4.472.026</b>	<b>3.705.222</b>	<b>3.923.675</b>	<b>4.220</b>	<b>90.640.797</b>

**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
<b>Saving Deposits</b>	<b>2.947.836</b>	-	<b>4.403.875</b>	<b>16.913.430</b>	<b>4.014.224</b>	<b>1.658.762</b>	<b>2.408.105</b>	<b>1.782</b>	<b>32.348.014</b>
<b>Foreign Currency</b>	<b>7.995.756</b>	-	<b>2.407.375</b>	<b>22.134.039</b>	<b>1.565.763</b>	<b>1.394.003</b>	<b>1.152.070</b>	-	<b>36.649.006</b>
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
<b>Public Sector Deposits</b>	<b>313.443</b>	-	<b>472</b>	<b>5.062</b>	<b>346</b>	-	<b>148</b>	-	<b>319.471</b>
<b>Commercial Deposits</b>	<b>2.088.318</b>	-	<b>2.802.222</b>	<b>4.459.722</b>	<b>1.177.734</b>	<b>218.963</b>	<b>480.501</b>	-	<b>11.227.460</b>
<b>Other Ins. Deposits</b>	<b>50.543</b>	-	<b>39.436</b>	<b>597.919</b>	<b>27.309</b>	<b>18.487</b>	<b>8.473</b>	-	<b>742.167</b>
<b>Precious Metal Deposits</b>	<b>1.724.647</b>	-	-	<b>43.459</b>	<b>1.525</b>	<b>10.188</b>	<b>82.694</b>	-	<b>1.862.513</b>
<b>Bank Deposits</b>	<b>555.547</b>	-	<b>272.549</b>	<b>2.007.939</b>	<b>802.759</b>	<b>37.747</b>	<b>1.044</b>	-	<b>3.677.585</b>
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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>15.676.090</b>	-	<b>9.925.929</b>	<b>46.161.570</b>	<b>7.589.660</b>	<b>3.338.150</b>	<b>4.133.035</b>	<b>1.782</b>	<b>86.826.216</b>

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(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		Exceeding the	
	Deposit Insurance Fund	Deposit Insurance Fund	Deposit Insurance Limit	Deposit Insurance Limit
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	13.896.156	14.252.095	14.524.975	17.151.063
Foreign Currency Savings Deposits	6.836.215	5.146.914	24.231.404	21.042.426
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
<b>Total</b>	<b>20.732.371</b>	<b>19.399.009</b>	<b>38.756.379</b>	<b>38.193.489</b>

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

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

	Current Period	Prior Period
Deposits and accounts in branches abroad	21.738	14.541
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	94.820	71.157
Deposits obtained through illegal acts defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
<b>Total</b>	<b>116.558</b>	<b>85.698</b>

**2. Information on trading purpose derivatives:**

**a) Negative value of trading purpose derivatives:**

	Current Period <sup>(*)</sup>		Prior Period	
	TL	FC	TL	FC
Forwards	132.579	60.418	132.707	65.035
Swaps	4.339.545	395.876	5.163.588	225.206
Futures	-	697	-	2.596
Options	8.726	29.809	477	141.101
Other	-	-	-	-
<b>Total</b>	<b>4.480.850</b>	<b>486.800</b>	<b>5.296.772</b>	<b>433.938</b>

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**3. Information on funds borrowed:**

**a) Information on banks and other financial institutions**

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Banks and Institutions	1.044.284	1.119.200	710.513	981.566
Foreign Banks, Institutions and Funds	327.404	17.776.631	391.508	18.468.646
<b>Total</b>	<b>1.371.688</b>	<b>18.895.831</b>	<b>1.102.021</b>	<b>19.450.212</b>

**b) Maturity information on funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	715.539	3.002.849	612.112	3.700.582
Medium and Long-Term	656.149	15.892.982	489.909	15.749.630
<b>Total</b>	<b>1.371.688</b>	<b>18.895.831</b>	<b>1.102.021</b>	<b>19.450.212</b>

The Parent Bank's fund sources include deposits, funds borrowed, securities issued and money market borrowings. Deposit is the most significant fund source of the Parent Bank and does not present any risk concentration with its consistent structure extended to a wide base. Funds borrowed mainly consist of funds provided by foreign financial institutions which have different characteristics and maturity-interest structure such as syndication, securitization, and post-financing. There isn't risk concentration on the fund sources of the Parent Bank.

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

As of March 31, 2019, the Group's liabilities comprise; 52% deposits (December 31, 2018 – 51%), 12% funds borrowed (December 31, 2018 – 14%), 10% issued bonds (December 31, 2018 – 8%) and 5% funds provided from money market borrowings. (December 31, 2018 – 5%).

**4. Information on funds provided under repurchase agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From domestic transactions</b>	<b>362.977</b>	-	<b>237.136</b>	-
Financial institutions and organizations	210.647	-	72.397	-
Other institutions and organizations	142.964	-	155.425	-
Real persons	9.366	-	9.314	-
<b>From foreign transactions</b>	<b>1.618</b>	<b>7.292.323</b>	<b>1.349</b>	<b>4.622.546</b>
Financial institutions and organizations	-	7.292.323	-	4.622.546
Other institutions and organizations	1.618	-	1.349	-
Real persons	-	-	-	-
<b>Total</b>	<b>364.595</b>	<b>7.292.323</b>	<b>238.485</b>	<b>4.622.546</b>

**5. Information on securities issued (Net):**

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	5.556.529	187.261	3.482.767	388.754
Asset-backed securities(*)	436.650	-	436.650	-
Bills	156.293	10.497.367	164.757	7.377.149
<b>Total</b>	<b>6.149.472</b>	<b>10.684.628</b>	<b>4.084.174</b>	<b>7.765.903</b>

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

The Parent Bank has bond issue program (Global Medium Term Note Programme) amounting to USD 5 Billion.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**

(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, 2018 – 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, 2018 – None).

**7.2. Financial lease payables**

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

**7.3. Information on “Sale – and – lease back” agreements**

The Parent Bank does not have any sale-and-back transactions in the current period (December 31, 2018 – None).

**8. Information on liabilities arising from hedging purpose derivatives**

	Current Period <sup>(***)</sup>		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge <sup>(*)</sup>	106.706	298.058	155.054	228.252
Cash Flow Hedge <sup>(**)</sup>	53.827	309.232	159.675	176.498
Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>160.533</b>	<b>607.290</b>	<b>314.729</b>	<b>404.750</b>

<sup>(\*)</sup> Derivative financial instruments for hedging purposes include swaps. As of March 31, 2019, TL 133.022 (December 31, 2018 – TL 181.259) loan portfolio, TL 3.523 (December 31, 2018 – TL 8.179) issued bonds, TL 228.581 (December 31, 2018 – TL 181.279) the securities, and TL 39.638 (December 31, 2018 – TL 12.589) leasing transactions, represents the fair value of derivatives instruments which are the hedging instruments of fair value hedge.

<sup>(\*\*)</sup> Represents the fair value of derivatives which are the hedging instruments of deposits and floating dividends' cash flow risk.

<sup>(\*\*\*)</sup> 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.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**9. Information on provisions:**

**9.1. Provision for currency exchange gain/loss on foreign currency indexed loans**

	<b>Current Period</b>	<b>Prior Period</b>
Foreign Exchange Provision for Foreign Currency Indexed Loans <sup>(*)</sup>	-	-

<sup>(\*)</sup> The foreign exchange provision for foreign currency indexed loans netted against "Loans and Receivables" in asset.

**9.2. Specific provisions for non-cash loans that are not indemnified and converted into cash**

	<b>Current Period</b>	<b>Prior Period</b>
Stage 1	92.709	74.422
Stage 2	17.458	16.431
Stage 3	61.269	50.116
<b>Total</b>	<b>171.436</b>	<b>140.969</b>

**9.3 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 March 31, 2019, TL 188.749 (December 31, 2018 - TL 181.087) reserve for employee termination benefits was provided in the accompanying financial statements.

As of March 31, 2019, the Group accrued TL 51.463 (December 31, 2018 - TL 48.169) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of March 31, 2019, TL 103.868 (December 31, 2018 – TL 223.267) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

**9.3.1 Movement of employee termination benefits**

	<b>Current Period</b>	<b>Prior Period</b>
	<b>01.01-31.03.2019</b>	<b>01.01-31.03.2018</b>
As of January 1	180.496	182.089
Service cost	6.125	7.111
Interest Cost	7.536	5.865
Settlement / curtailment / termination loss	3.791	2.399
Actuarial differences	879	(322)
<b>Paid during the period</b>	<b>(10.078)</b>	<b>(12.864)</b>
<b>Total</b>	<b>188.749</b>	<b>184.278</b>

**9.4. Information on other provisions**

Other provisions of the balance sheet consist of lawsuits against the Parent Bank and provisions for tax litigation.

**10. Explanations on Tax Liabilities**

**10.1 Information on current tax liability**

**10.1.1 Information on tax provision**

As of March 31, 2019, the Group has current tax liability of TL 18.123 (December 31, 2018 - TL 802.797) and as of March 31, 2019, the Group has no prepaid tax (December 31, 2018 - None).

The current tax liability and the prepaid taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of March 31, 2019, after the offsetting, the current tax liability amounting to TL 157.730 (December 31, 2018 – TL 159.866) is disclosed with current tax asset TL 67.064 (December 31, 2018– TL 77.001)

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**10.1.2 Information on taxes payable**

	<b>Current Period</b>	<b>Prior Period</b>
Corporate taxes payable	157.730	159.866
Taxation on Securities Income	103.058	70.842
Taxation on Real Estates Income	2.699	2.349
Banking and Insurance Transaction Tax (BITT)	94.391	103.829
VAT Payable	4.899	6.008
Other	37.155	29.414
<b>Total</b>	<b>399.932</b>	<b>372.308</b>

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**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums - Employee Share	25.200	10.156
Social Security Premiums - Employer Share	27.167	11.078
Pension Fund Fee and Provisions – Employee Share	37	14
Pension Fund Fee and Provisions – Employer Share	120	44
Unemployment Insurance - Employee Share	1.771	714
Unemployment Insurance - Employer Share	3.542	1.428
Other	43	35
<b>Total</b>	<b>57.880</b>	<b>23.469</b>

**11. Information on payables related to assets held for sale**

None (December 31, 2018- None).

**12. Information on subordinated loans**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Debt Instruments subject to common equity</b>	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
<b>Debt Instruments subject to tier 2 common equity</b>	-	<b>5.166.503</b>	-	<b>4.816.098</b>
Subordinated Loans	-	5.166.503	-	4.816.098
Subordinated Debt Instruments	-	-	-	-
<b>Total</b>	-	<b>5.166.503</b>	-	<b>4.816.098</b>

On June 29, 2018, the current due date of subordinated loan of amounting to US \$ 325 million was renewed as 2028 in line with Basel III.

**13. Information on shareholder’s equity**

**13.1 Paid-in capital**

	<b>Current Period</b>	<b>Prior Period</b>
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**

<b>Capital System</b>	<b>Paid-in Capital</b>	<b>Ceiling</b>
Registered Capital System	3.350.000	12.000.000

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**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, 2018 – None).

**13.4 Information on share capital increases from revaluation funds**

None (December 31, 2018 - 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, 2018 - None).

**13.7 Information on the privileges given to stocks representing the capital**

None (December 31, 2018 - None).

**14. Common stock issue premiums, shares and equity instruments**

	<b>Current Period</b>	<b>Prior Period</b>
Number of Stocks (Thousands)	33.500.000	33.500.000
Preferred Capital Stock	-	-
Common Stock Issue Premiums <sup>(*)</sup>	714	714
Common Stock Withdrawal Profits	-	-

<sup>(\*)</sup> Due to the Parent Bank's capital increase at the prior periods, common stock issue premium accounted amounting to TL 714.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**15. Marketable securities value increase fund**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Associates, Subsidiaries and Entities under Common Control</b>				
Valuation Differences	-	-	-	-
Foreign Exchange Rate Differences	-	-	-	-
<b>Securities Available-for-Sale</b>	<b>66.394</b>	<b>(710.430)</b>	<b>80.775</b>	<b>(534.108)</b>
Valuation Differences	66.394	(710.430)	80.775	(534.108)
Foreign Exchange Rate Differences	-	-	-	-
<b>Total</b>	<b>66.394</b>	<b>(710.430)</b>	<b>80.775</b>	<b>(534.108)</b>

**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		Prior Period	
	TL	FC	TL	FC
Derivative Financial Liabilities	4.641.383	1.094.090	5.611.501	838.688
Deposits	693.365	82.449	643.659	86.485
Funds Borrowed	22.059	285.121	34.733	182.567
Money Market Borrowings	470	30.081	173	23.636
Issued Securities	8.535	158.788	4.675	52.478
Other Accruals	203.512	154.734	147.980	149.556
<b>Total</b>	<b>5.569.324</b>	<b>1.805.263</b>	<b>6.442.721</b>	<b>1.333.410</b>

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(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**

	<b>Current Period</b>	<b>Prior Period</b>
Credit Cards Limit Commitments	23.874.467	22.362.300
Commitment For Use Guaranteed Credit Allocation	11.555.932	10.852.185
Payment Commitments for Cheques	2.652.392	2.181.264
Forward Asset Purchase Commitments	5.333.941	2.146.211
Other Irrevocable Commitments	1.454.023	1.188.454
Commitments for Promotions Related with Credit Cards and Banking Activities	26.269	29.958
Tax and Fund Liabilities due to Export Commitments	30.341	28.728
<b>Total</b>	<b>44.927.365</b>	<b>38.789.100</b>

**1.2. Type and amount of possible losses from off-balance sheet items**

Specific provision is provided for the non-cash loans followed in the off-balance sheet accounts that are not indemnified and not liquidated yet and expected credit loss provisions for non-cash loans amounting to TL 171.436 (December 31, 2018 – TL 140.969).

**1.3. Final guarantees, provisional guarantees, sureties and similar transactions**

	<b>Current Period</b>	<b>Prior Period</b>
Bank Loans	4.664.671	4.476.254
Other Letters of Guarantee	2.416.788	1.727.806
<b>Total</b>	<b>7.081.459</b>	<b>6.204.060</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Provisional Letters of Guarantee	771.458	679.218
Final Letters of Guarantee	8.097.697	7.374.286
Advance Letters of Guarantee	1.841.780	1.422.077
Letters of Guarantee Given to Customs Offices	422.889	407.385
Other Letters of Guarantee	7.775.266	7.602.220
<b>Total</b>	<b>18.909.090</b>	<b>17.485.186</b>

**2. Total amount of non-cash loans**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Non-Cash Loans granted for Obtaining Cash Loans</b>	<b>4.014.044</b>	<b>3.913.293</b>
Less Than or Equal to One Year with Original Maturity	1.497.272	1.305.237
More Than One Year with Original Maturity	2.516.772	2.608.056
<b>Other Non-Cash Loans</b>	<b>21.976.505</b>	<b>19.775.953</b>
<b>Total</b>	<b>25.990.549</b>	<b>23.689.246</b>

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(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	%
<b>Agricultural</b>	<b>42.376</b>	<b>0,43</b>	<b>52.515</b>	<b>0,32</b>	<b>28.886</b>	<b>0,33</b>	<b>40.184</b>	<b>0,27</b>
Farming and Raising Livestock	37.719	0,38	32.033	0,20	28.886	0,33	22.864	0,15
Forestry	3.462	0,04	0	0,00	-	-	-	-
Fishing	1.195	0,01	20.482	0,13	-	-	17.320	0,12
<b>Manufacturing</b>	<b>1.590.653</b>	<b>16,19</b>	<b>8.709.374</b>	<b>53,87</b>	<b>2.318.397</b>	<b>26,51</b>	<b>7.534.257</b>	<b>50,42</b>
Mining and Quarrying	60.697	0,62	34.349	0,21	14.211	0,16	25.627	0,17
Production	1.347.635	13,72	7.919.235	48,99	2.156.385	24,66	6.766.518	45,28
Electricity, gas and water	182.321	1,85	755.790	4,68	147.801	1,69	742.112	4,97
<b>Construction</b>	<b>3.005.305</b>	<b>30,59</b>	<b>1.821.636</b>	<b>11,27</b>	<b>2.953.023</b>	<b>33,77</b>	<b>1.791.908</b>	<b>11,99</b>
<b>Services</b>	<b>5.055.430</b>	<b>51,46</b>	<b>5.542.183</b>	<b>34,28</b>	<b>2.718.719</b>	<b>31,09</b>	<b>5.483.620</b>	<b>36,69</b>
Wholesale and Retail Trade	3.135.416	31,92	1.808.539	11,19	932.803	10,67	1.252.602	8,38
Hotel, Food and Beverage Services	125.585	1,28	647.460	4,00	109.159	1,25	687.370	4,60
Transportation&Communication	380.374	3,87	1.127.480	6,97	307.762	3,52	1.087.830	7,28
Financial Institutions	1.047.777	10,67	1.495.077	9,25	1.031.711	11,80	1.619.277	10,84
Real Estate and Renting Services	13.099	0,13	244	0,00	-	-	236	-
Self-Employment Services	241.254	2,46	42.208	0,26	96.221	1,10	24.265	0,16
Educational Services	5.665	0,06	1.607	0,01	5.832	0,07	6.028	0,04
Health and Social Services	106.260	1,07	419.568	2,60	235.231	2,68	806.012	5,39
<b>Other</b>	<b>130.258</b>	<b>1,33</b>	<b>40.819</b>	<b>0,25</b>	<b>725.792</b>	<b>8,30</b>	<b>94.460</b>	<b>0,63</b>
<b>Total</b>	<b>9.824.022</b>	<b>100,00</b>	<b>16.166.527</b>	<b>100,00</b>	<b>8.744.817</b>	<b>100,00</b>	<b>14.944.429</b>	<b>100,00</b>

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

Current Period <sup>(*)</sup>	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	9.568.970	9.153.316	148.562	38.242
Bill of Exchange and Acceptances	19.274	4.643.908	214	1.275
Letters of Credit	87.002	2.328.939	-	847
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
<b>Non-cash Loans</b>	<b>9.675.246</b>	<b>16.126.163</b>	<b>148.776</b>	<b>40.364</b>

<sup>(\*)</sup> Does not include non-cash loans amounting to TL 61.269, for which specific provision is provided, but which are not indemnified and not liquidated yet.

Prior Period <sup>(*)</sup>	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	-	-	-	-
<b>Non-cash Loans</b>	<b>8.580.989</b>	<b>14.894.814</b>	<b>163.828</b>	<b>49.615</b>

<sup>(\*)</sup> 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.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**5. Information related to derivative financial instruments:**

	Current Period	Prior Period
<b>Types of trading transactions</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>104.987.250</b>	<b>111.507.211</b>
Forward transactions (*)	14.150.367	9.245.005
Swap transactions	80.707.577	89.696.716
Futures transactions	2.705.849	237.014
Option transactions	7.423.457	12.328.476
<b>Interest Related Derivative Transactions (II)</b>	<b>47.045.544</b>	<b>41.650.654</b>
Forward rate transactions	-	-
Interest rate swap transactions	47.045.544	41.650.654
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
<b>Other trading derivative transactions (III)</b>	<b>1.280.768</b>	<b>815.440</b>
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>153.313.562</b>	<b>153.973.305</b>
<b>Types of hedging transactions</b>		
Fair value hedges	24.354.887	24.232.920
Cash flow hedges	36.694.767	41.249.602
Net investment hedges	-	-
<b>B. Total Hedging Related Derivatives</b>	<b>61.049.654</b>	<b>65.482.522</b>
<b>Total Derivative Transactions (A+B)</b>	<b>214.363.216</b>	<b>219.455.827</b>

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

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

	Forward Buy (**)	Forward Sell (**)	Swap Buy (*)	Swap Sell (*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
<b>Current Period</b>									
TL	2.994.094	1.488.179	13.716.010	26.854.435	1.118.693	2.123.509	7.659	1.243.430	-
USD	1.235.682	4.743.802	67.888.736	39.265.680	1.945.562	1.225.247	1.337.328	109.952	1.280.768
Euro	2.675.406	690.370	14.236.886	25.329.106	566.170	321.900	-	7.480	-
Other	210.051	112.783	1.488.526	23.396	37.586	84.790	-	-	-
<b>Total</b>	<b>7.115.233</b>	<b>7.035.134</b>	<b>97.330.158</b>	<b>91.472.617</b>	<b>3.668.011</b>	<b>3.755.446</b>	<b>1.344.987</b>	<b>1.360.862</b>	<b>1.280.768</b>

(\*) This column also includes hedging purpose derivatives.

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

	Forward Buy (**)	Forward Sell (**)	Swap Buy (*)	Swap Sell (*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
<b>Prior Period</b>									
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	-	-	-
<b>Total</b>	<b>4.632.196</b>	<b>4.612.809</b>	<b>102.276.898</b>	<b>94.552.994</b>	<b>6.130.164</b>	<b>6.198.312</b>	<b>118.507</b>	<b>118.507</b>	<b>815.440</b>

(\*) This column also includes hedging purpose derivatives.

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**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 6.462.443 (December 31, 2018 – TL 6.055.337) were subject to hedge accounting by swaps with a nominal of TL 6.806.470 (December 31, 2018 – TL 6.922.598). On March 31, 2019 the net market valuation difference gain amounting to TL 10.543 due to the loss from the loans amounting to TL 331.795 (December 31, 2018 – TL 173.326 loss) and gain from swaps amounting to TL 342.338 (December 31, 2018 – TL 171.750 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 224.473 (December 31, 2018 – TL 223.858) have been subject to hedge accounting with swaps with a nominal amount of TL 209.917 (December 31, 2018 – TL 210.304). In 2019 TL 473 net fair valuation difference gain, net of TL 558 (December 31, 2018 – TL 1.980 gain) gain from loans and TL 84 (December 31, 2018 – TL 1.158 loss) 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 6.719 (December 31, 2018 – TL 51.313 gain) 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 49.8 million (December 31, 2018 – USD 404,7 million and EUR 75,4 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On March 31, 2019, the net market valuation difference loss amounting to TL 583 due to gain from Eurobonds amounting to TL 83.500 (December 31, 2018 – TL 6.814 loss) and loss from swaps amounting to TL 84.083 (December 31, 2018 – TL 6.826 gain) 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, 2018 – 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 100 million (December 31, 2018 – USD 283 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of March 31, 2019, TL 1.998 net fair valuation difference loss, net of TL 4.307 (December 31, 2018 – TL 1.142 gain) loss from issued bonds and TL 2.309 (December 31, 2018 – TL 1.321 loss) gain 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 278.096 (December 31, 2018 – TL 411.438) have been subject to hedge accounting with the same amount of swaps. As of March 31, 2019, TL 50 (March 31, 2018 – TL 90 net fair value difference loss) net fair valuation difference loss, net of TL 755 (March 31, 2018 – TL 58 loss) gain from issued bonds and TL 805 (March 31, 2018 – TL 148 gain) loss from swaps, has been recorded under “Gain/ (loss) from financial derivatives transactions” on accompanying financial statements.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**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, 2018- EUR 30 million) is subjected to hedge accounting with a swap having the same amount. As of March 31, 2019, a net mark to market difference loss at an amount of TL 29 (December 31, 2018- TL 11 loss) sourcing from loss at an amount of TL 302 (December 31, 2018 – TL 1.239 loss) from aforementioned credit and gain at an amount of TL 273 (December 31, 2018 – TL 1.228 gain) 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 705.581 (December 31, 2018 – TL 149.988) is subjected to hedge accounting with a swap having same amount. A net mark to market difference gain at an amount of TL 56 (March 31, 2018 - TL 365 net mark to market difference loss) sourcing from gain at an amount of TL 19.571 (March 31, 2018 – TL 2.329 gain) from aforementioned credit and loss at an amount of TL 19.627 (March 31, 2018 – TL 2.694 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 2.035.000 are subject to hedge accounting as hedging instruments (December 31, 2018 – TL 2.150.000). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 35.986 are accounted for under equity during the current period (December 31, 2018 – TL 37.446 gain). The amounts for the ineffective portion of revenues in the amount of TL 22 gain is associated with the income statement (December 31, 2018 – TL 795 gain).

As of the balance sheet date, swaps with a nominal amount of USD 2.083 (December 31, 2018 – USD 2.519 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 134 million (December 31, 2018 – EUR 289 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 125.320 are accounted under equity during the current period (December 31, 2018 – TL 181.006 gain). The gain amounting to TL 940 (December 31, 2018 – TL 1.302 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 profit of TL 24.083 transferred amount from equity to income statement due to ineffectiveness or matured swaps (December 31, 2018– TL 4.969 loss).

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**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, 2018 – USD 810 million). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL 87.250 are accounted for under equity during the current period (December 31, 2018- TL 6.909 loss). There is no gain and loss related to the ineffective portion.

The measurements as of March 31, 2019 hedge of cash flow transactions stated above are determined as 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 445.189 (December 31, 2018 – TL 442.239) are subject to risk protection accounting as a hedge of risk. As a result of the related hedge accounting, fair value loss of TL 4.501 (March 31, 2018 – TL 405 loss) before tax is recognized under equity in the current period. The loss amounting to TL 1.290 for the ineffective portion is associated with the income statement (March 31, 2018- None).

The measurements as of March 31, 2019 hedge of cash flow transactions stated above are determined as effective.

**6. Credit derivatives and risk exposures on credit derivatives**

As of March 31, 2019, the Parent Bank has no commitments "Credit Linked Notes" (As of December 31, 2018 - None).

As of March 31, 2019, "Other Derivative Financial Instruments" with nominal amount of USD 220.000.000 (December 31, 2018: USD 155.000.000) are included in Parent Bank's "Swap Interest Sell Transactions." In aforementioned transaction, The Bank is the seller of the protection for USD 195.000.000.

**7. Information on contingent liabilities and assets**

The Parent Bank has recorded a provision of TL 123.471 (December 31, 2018 - TL 117.185) for litigation and has accounted for it in the accompanying financial statements. 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 Group 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.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**9. Information on the Parent Bank's rating by international rating institutions**

<b>MOODY'S March 2019</b>		<b>FITCH February 2019</b>		<b>CI September 2018</b>	
Long-Term Deposit Rating (FC)	B2	Long -Term FC Issuer	BB-	Long-Term	BB-
Long-Term Deposit Rating (TL)	Ba3	Short-Term FC Issuer	B	Short-Term	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL Issuer	BB	FC Appearance	Negative
Short-Term Deposit Rating (TL)	NP	Short-Term TL Issuer	B	Financial Strength Rating	BB+
Main Credit Evaluation	b2	Long-Term National	AA(tur)	Financial Strength Appearance	Negative
Adjusted Main Credit Evaluation	ba3	Appearance	Negative	Support	2
Appearance	Negative	Long-Term Foreign Currency Borrowing	BB-		
Long-Term Foreign Currency Borrowing	Ba3	Support	3		
		Financial Capacity Rating	b+		

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(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	1.638.493	47.793	1.007.357	20.243
Medium and Long-Term Loans	1.620.837	433.636	1.447.447	253.216
Non-Performing Loans	23.042	-	25.468	-
Resource Utilization Support Fund Premiums	-	-	-	-
<b>Total<sup>(*)</sup></b>	<b>3.282.372</b>	<b>481.429</b>	<b>2.480.272</b>	<b>273.459</b>

<sup>(\*)</sup>Includes fees and commissions income from cash loans.

**b) Information on interest income from banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank <sup>(*)</sup>	-	-	-	-
Domestic Banks	33.180	825	58.098	126
Foreign Banks	1.147	12.784	380	2.870
Foreign Headquarters and Branches	-	-	-	-
<b>Total</b>	<b>34.327</b>	<b>13.609</b>	<b>58.478</b>	<b>2.996</b>

<sup>(\*)</sup> The interest income on Required Reserve amounting TL 58.778 excluded from interest income on Banks (March 31, 2018: TL 39.572).

**c) Information on interest income from securities portfolio**

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss	907	142
Financial Assets Measured at Fair Value through Other Comprehensive Income	215.901	61.238
Financial Assets Measured at Amortized Cost	345.911	78.575
<b>Total</b>	<b>562.719</b>	<b>139.955</b>
	Prior Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss	1.717	99
Financial Assets Measured at Fair Value through Other Comprehensive Income	140.413	27.407
Financial Assets Measured at Amortized Cost	119.100	54.114
<b>Total</b>	<b>261.230</b>	<b>81.620</b>

As stated in Section Three disclosure VII, the Parent Bank has inflation indexed (CPI) government bonds in its financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary. In this context, as of March 31, 2019, valuation of such assets is made according to estimated annual inflation rate of 16.5%. If valuation of these securities indexed to the CPI had been done by the reference index valid through March 31, 2019, the Group's Marketable securities valuation differences after tax would be increased by TL 15 million and net profit would be decreased by TL 246,6 million to TL 408,9 million.

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

None (December 31, 2018 – None)

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**2. a) Information on interest expense related to funds borrowed<sup>(\*)</sup>:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>59.793</b>	<b>276.947</b>	<b>54.644</b>	<b>186.985</b>
T.R. Central Bank	-	-	-	-
Domestic Banks	57.367	9.067	30.347	4.192
Foreign Banks	2.426	267.880	24.297	182.793
Foreign Headquarters and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>59.793</b>	<b>276.947</b>	<b>54.644</b>	<b>186.985</b>

<sup>(\*)</sup> 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	1.747	410

**c) Information on interest expense paid to securities issued:**

As of March 31, 2019 the amount paid to securities issued is TL 375.526 (March 31, 2018 – TL 245.272).

**d) Information on maturity structure of interest expenses on deposits:**

Account Name	Current Period						Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
<b>Time Deposits</b>								
<b>Turkish Lira</b>								
Bank Deposits	-	3.555	247	-	494	-	-	4.296
Saving Deposits	6	219.725	828.227	162.065	94.403	122.392	-	1.426.818
Public Sector Deposits	-	46	188	74	3	5	-	316
Commercial Deposits	175	195.338	248.959	59.931	13.980	16.281	-	534.664
Other Deposits	-	3.966	40.045	776	1.066	506	-	46.359
7 Days Call Accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>181</b>	<b>422.630</b>	<b>1.117.666</b>	<b>222.846</b>	<b>109.946</b>	<b>139.184</b>	<b>-</b>	<b>2.012.453</b>
<b>Foreign Currency</b>								
Deposits	-	12.487	169.863	17.711	12.633	8.284	-	220.978
Bank Deposits	105	15.396	8.958	289	68	-	-	24.816
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	385	-	-	-	-	-	385
<b>Total</b>	<b>105</b>	<b>28.268</b>	<b>178.821</b>	<b>18.000</b>	<b>12.701</b>	<b>8.284</b>	<b>-</b>	<b>246.179</b>
<b>Grand Total</b>	<b>286</b>	<b>450.898</b>	<b>1.296.487</b>	<b>240.846</b>	<b>122.647</b>	<b>147.468</b>	<b>-</b>	<b>2.258.632</b>

Account Name	Prior Period						Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
<b>Time Deposits</b>								
<b>Turkish Lira</b>								
Bank Deposits	-	3.787	1.241	-	-	-	-	5.028
Saving Deposits	-	66.175	540.330	26.326	15.001	38.795	-	686.627
Public Sector Deposits	-	82	317	3	1	1	-	404
Commercial Deposits	-	98.279	93.456	8.005	15.673	24.102	-	239.515
Other Deposits	-	1.573	6.466	1.597	1.306	19	-	10.961
7 Days Call Accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>169.896</b>	<b>641.810</b>	<b>35.931</b>	<b>31.981</b>	<b>62.917</b>	<b>-</b>	<b>942.535</b>
<b>Foreign Currency</b>								
Deposits	-	10.873	143.966	9.252	7.895	4.443	-	176.429
Bank Deposits	80	14.610	2.454	584	59	-	-	17.787
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	299	-	-	-	-	-	299
<b>Total</b>	<b>80</b>	<b>25.782</b>	<b>146.420</b>	<b>9.836</b>	<b>7.954</b>	<b>4.443</b>	<b>-</b>	<b>194.515</b>
<b>Grand Total</b>	<b>80</b>	<b>195.678</b>	<b>788.230</b>	<b>45.767</b>	<b>39.935</b>	<b>67.360</b>	<b>-</b>	<b>1.137.050</b>

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**e) Information on interest expenses on repurchase agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Repurchase Agreements (*)	11.538	46.749	66.494	27.258

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

**f) Information on finance lease expenses**

None (March 31, 2018 – None).

**g) Information on interest expenses on factoring payables**

None (March 31, 2018 – None).

**3. Information on dividend income:**

	Current Period	Prior Period
Derivative Financial Assets at Fair Value Through Profit or Loss	-	204
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Other	891	278
<b>Total</b>	<b>891</b>	<b>482</b>

**4. Information on trading income/loss**

	Current Period	Prior Period
<b>Trading Gain</b>	<b>5.752.724</b>	<b>2.808.171</b>
Trading account gain	19.158	12.376
Gain from derivative transactions	4.142.256	1.977.167
Foreign exchange gain/losses	1.591.310	818.628
<b>Trading Loss (-)</b>	<b>5.856.471</b>	<b>3.169.315</b>
Losses on Capital Market Operations	14.040	7.259
Derivative Financial Instruments	4.204.581	2.227.593
Foreign Exchange Losses	1.637.850	934.463
<b>Net Trading Income/Loss</b>	<b>(103.747)</b>	<b>(361.144)</b>

**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.

**6. Provision for losses on loans and other receivables**

	Current Period	Prior Period
<b>Expected Credit Losses Provisions</b>	<b>600.545</b>	<b>287.674</b>
12 Month Expected Credit Loss (Stage I)	98.342	34.007
Significant Increase in Credit Risk (Stage 2)	170.356	87.203
Lifetime ECL Impaired Credits (Stage 3)	331.847	166.464
<b>Marketable Securities Impairment Provision</b>	<b>(17.649)</b>	<b>1.439</b>
Financial Assets Measured at Fair Value Through Profit/Loss	-	1.439
Financial Assets Measured at Other Comprehensive Income	(17.649)	-
<b>Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease</b>	<b>-</b>	<b>-</b>
Investment in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
<b>Other</b>	<b>(48.635)</b>	<b>(9.990)</b>
<b>Total</b>	<b>534.261</b>	<b>279.123</b>

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**7. Information on other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for employee termination benefits <sup>(*)</sup>	7.373	2.511
Bank social aid fund deficit provision	-	-
Impairment expenses on tangible fixed asset	-	-
Depreciation expenses on intangible fixed asset	89.960	34.854
Impairment expenses on intangible fixed asset	-	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible asset	30.902	28.668
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	274.549	294.079
<i>IFRS 16 Leasing expenses</i>	1.043	56.237
<i>Maintenance expenses</i>	56.759	38.213
<i>Advertisement expenses</i>	21.415	39.226
<i>Other expenses</i>	195.332	160.403
Loss on sales of assets	18	-
Other <sup>(**)</sup>	111.123	100.319
<b>Total</b>	<b>513.925</b>	<b>460.431</b>

<sup>(\*)</sup>Reserve for employee termination benefits has classified under personnel expenses in balance sheet.

<sup>(\*\*)</sup> Comprising repayments amounting to TL 1.468 (March 31, 2018: TL 2.846) 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 March 31, 2019, net interest income of TL 1.716.038 (March 31, 2018 – TL 1.656.116), net fees and commission income of TL 657.047 (March 31, 2018 – TL 506.600) and other operating income of TL 9.495 ((March 31, 2018 – TL 18.052) 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 March 31, 2019, the Group recorded current tax charge of TL 18.123 (March 31, 2018 - TL 72.000 current tax charge) and a deferred tax income of TL 149.775 (March 31, 2018 – TL 84.435 deferred tax income).

	<b>Current Period</b>	<b>Prior Period</b>
Current Tax Provision	(18.123)	(72.000)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/Expense	(149.775)	(84.435)
<b>Total</b>	<b>(167.898)</b>	<b>(156.435)</b>

**9.2. Explanations on operating profit/loss after taxes**

None (March 31, 2018 – None).

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

Net profit of the Group from continued operations is TL 655.538 (March 31, 2018 – TL 570.467).

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(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 (March 31, 2018 – 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 (March 31, 2018 – None).

**11.3 Profit or loss attributable to minority shares**

	<b>Current Period</b>	<b>Prior Period</b>
Profit / Loss Attributable to Minority Shares	156	209

**11.4 There is no change in the accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.**

**12. Information on the components of other items in the income statement exceeding 10% of the total or items that comprise at least 20% of the income statement**

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the “Others” line under “Fees and Commissions Received” account, while fees and commissions given to credit cards are recorded in the “Others” line under “Fees and Commissions Paid” account by the Parent Bank.

**V Explanations And Disclosures Related To Consolidated Change in Shareholders' Equity**

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

**VI. Explanations And Disclosures Related To Consolidated Cash Flows Statement**

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**SECTION FIVE**

**VII. Explanations And Disclosures Related To The Parent Bank’s Risk Group**

**1. Information on the volume of transactions with the Parent Bank’s risk group, lending and deposits outstanding at period end and income and expenses in the current period**

- 1.1.** As of March 31, 2019, the Parent Bank’s risk group has deposits amounting to TL 182.279 (December 31, 2018 – TL 186.992), cash loans amounting to TL 1.833 (December 31, 2018 – TL 1.851) and non-cash loans amounting to TL 9.092 (December 31, 2018- TL 8.897).

**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
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	-	10	1.755	-	96	8.887
Balance at the End of the Period	-	9	1.761	-	72	9.083
Interest and Commission Income	-	-	-	-	3	18

**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
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	-	20	613	-	146	6.441
Balance at the End of the Period	-	10	1.755	-	96	8.887
Interest and Commission Income (**)	-	-	-	16	8	14

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

(\*\*) Prior Period represents March 31, 2018 balance.

**1.2. Information on deposits held by the Parent Bank’s risk group**

Parent Bank’s Risk Group (*)	Associates and Subsidiaries		Bank’s Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposits</b>						
Balance at the Beginning of the Period	27.885	18.054	-	-	159.107	172.990
Balance at the End of the Period	16.734	27.885	-	-	165.545	159.107
Interest on deposits (**)	1.747	410	-	-	4.824	6.292

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

(\*\*) Prior Period represents March 31, 2018 balance.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(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
<b>Transactions for Trading Purposes</b>						
Beginning of the Period	-	-	-	1.046	-	-
End of the Period	-	-	-	-	18.195	-
Total Income/Loss (**)	-	-	-	19	24	-
<b>Transactions for Hedging Purposes</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss (**)	-	-	-	-	-	-

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

(\*\*) Prior Period represents March 31, 2018 balance.

**1.4 Information on benefits provided for Key Management**

As of March 31, 2019, the total amount of remuneration and bonuses paid to key management of the Group is TL 88.369 (March 31, 2018- TL 73.043).

**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 March 31, 2019, the rate of cash loans of the risk group divided by to total loans is 0%; (December 31, 2018 – 0%); the deposits represented 0,2% (December 31, 2018 – 0,5%) The ratio of total derivative transactions with derivatives risk is 0% (December 31, 2018 – 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 Ibtch Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Parent Bank participated with 33,33% shareholding, provides cash transfer services to the Parent Bank.

Information in regards to subordinate loans the Parent Bank received from Parent's Bank is explained in Section 5 Note II. 12.

The Parent Bank offers agency services to Cigna Finans Emeklilik and Hayat A.Ş. that is 49,00% jointly controlled for its insurance services.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**SECTION FIVE**

**VIII. Other explanations related to the Group's operations**

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

<u>Date</u>	<u>Currency</u>	<u>Nominal</u>	<u>Interest Rate (%)</u>	<u>Due Date</u>
03.04.2019	TL	132.626	22,67	49
04.04.2019	TL	40.600	23,10	69
04.04.2019	TL	92.398	23,15	42
05.04.2019	TL	141.000	23,25	91
05.04.2019	EUR	20.000	0,80	31
10.04.2019	TL	158.300	23,00	64
10.04.2019	TL	26.600	22,86	34
11.04.2019	TL	121.800	22,60	63
12.04.2019	TL	57.114	22,75	49
12.04.2019	TL	249.600	22,75	98
17.04.2019	TL	193.200	22,20	62
18.04.2019	TL	64.431	22,50	61
19.04.2019	TL	162.730	22,50	98
22.04.2019	TL	25.027	22,50	57
25.04.2019	TL	162.500	22,50	75
25.04.2019	TL	54.100	22,50	63
26.04.2019	TL	96.750	22,50	63

**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.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**SECTION SIX**

**INDEPENDENT AUDITOR’S LIMITED REPORT**

**I. Explanations on Independent Limited Review Report**

The consolidated financial statements for the period ended March 31, 2019 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor’s limited report dated April 29, 2019 is presented preceding the consolidated financial statements.

**II. Explanations and notes prepared by Independent Auditors**

None (December 31, 2018 – None).

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**SECTION SEVEN**  
**CONSOLIDATED INTERIM ACTIVITY REPORT**

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

**Message by the Chairman**  
**Dear Shareholders,**

The first quarter of 2019 was a period of significant developments due to the lingering after-effects of the economic distress in 2018, the run up to the 31 March 2019 local election, the slowdown in the global economy and the uncertainty regarding Brexit in the European Union.

Turkey's economy moderately recovered in the first quarter of this year, subsequent to the contraction witnessed in the last two quarters of 2018. The acceleration in sector loan growth contributed to this outlook.

As mentioned earlier, 2019 will be a year of recovery for Turkey's economy. Containment of inflation is the chief priority of Turkey's economy. The current tightening stance in monetary policies and the commitment of the government with regards to financial discipline indicates that this issue will be effectively overcome. We forecast a decrease in inflation in the second half of 2019 with the measures taken. We also believe that the recovery in the current account deficit will continue and Turkey's external fragilities will tail off.

As of March 31, 2019, the total assets of our Bank increased by 8 percent when compared to the year-end of 2018, reaching TRY 169 billion 802 million, while performing loans increased by 3 percent to TRY 98 billion 483 million and customer deposits grew by 5 percent to TRY 87 billion 168 million. Our Bank's net profit for the period realized TRY 631 million.

We, as QNB Finansbank, sustained our successful growth in the first quarter of 2019. Our Bank continues to progressively contribute to the sector, supported by the strength of our main shareholder, QNB Group.

Our ongoing capital strength allows QNB Finansbank to continue our commitment to fully participate in corporate social responsibility projects. Our volunteering bankers are again undertaking critical projects within the "Small Hands Big Dreams" platform, aimed at preparing our children for the future.

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

Yours sincerely,  
Ömer A. Aras  
QNB Finansbank A.Ş. Chairman of the Board of Directors

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**Message by the General Manager**

**Dear Shareholders and Members of the Board,**

QNB Finansbank sustained the steady curve of growth in the first quarter of 2019.

As of March 31, 2019, total assets increased by 8 percent, compared to the year-end 2018, reaching TRY 169 billion 802 million, while performing loans increased by 3 percent to TRY 98 billion 483 million and customer deposits increased by 5 percent to TRY 87 billion 168 million.

In the first quarter of 2019, the net interest income of our Bank increased by 4 percent compared to the same quarter of 2018, reaching TRY 1 billion 683 million, as the net fee and commission revenues grew by 33 percent to TRY 631 million. The profit before tax of our Bank amounted to TRY 781 million, while net period profit realized TRY 631 million. Total equity rose by 2 percent, compared to the end of 2018, reaching TRY 14 billion 858 million.

The Bank built up an impressive record of achievements in retail banking with strategic agreements in the first quarter of 2019. QNB Finansbank became a partner of Turkey's most recognized loyalty program with the 5-year Miles&Smiles agreement signed with Turkish Airlines. Along with this, a new initiative that will carry us to the forefront was launched, in which we opened the doors to a new world for the high-net-worth segment. QNB First World will stand out in banking services in this area across Turkey.

QNB Finansbank became the first private Turkish bank to issue Eurobonds in international markets in 2019. A demand of \$1.7 billion was attracted from approximately 150 investors against the issuance of \$500 million Eurobond with a term of 5.5 years.

2019 will be a year, where we will witness remarkable accomplishments in export and tourism. In this respect, we reinforced our target in exports with the Women Entrepreneur Export Support Loan Package signed with Eximbank on March 8, 2019.

In 2019, we will maintain the momentum, achieved on the back of invaluable contributions by our bankers, motivated by our intention to transform success into social contributions. As we prepare for the future, we will support our children and make a positive impact to thousands in many areas through our "Small Hands Big Dreams" Platform. Children will continue to be the center of our corporate social responsibility projects. We will continue undertaking new projects in the forthcoming periods that support creativity and analytical thinking in children with the support of our volunteering bankers.

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

Yours sincerely,

Temel Güzeloğlu  
General Manager  
QNB Finansbank A.Ş.

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**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Summary Consolidated Financials Belonging to the Period of March 31, 2019**

<b>Principal Financial Indicators (Million TL)</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Total Loans	98.498	95.409
Securities	24.948	21.534
Total Assets	175.758	163.500
Customer Deposits	86.701	83.149
Equity	15.122	14.603
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Net Interest Income	1.716	1.656
Net Fee and Commission Income	657	507
Provision for Loans and Other Receivables (-)	(534)	(279)
<b>Profit Before Tax</b>	<b>823</b>	<b>727</b>
Tax Provision	(168)	(156)
<b>Net Profit for the Period</b>	<b>656</b>	<b>570</b>

As of March 31, 2019 total assets of the Group increased by 7% and realized TL 175 billion and 758 million. When compared with the end of year 2018, performing loans increased by 3% and reached TL 98 billion and 498 million while Customer Deposits increased by 4% and reached up to TL 86 billion and 701 million.

When compared with the first three-month of year 2019, net interest income grew 4% and reached TL 1 billion 716 million in the three-month period of the year 2019. Net fees and commission income increased by 30% and reached TL 657 million. Consolidated profit of the Group before tax reached TL 823 million and the consolidated net profit for the first three-month came in at TL 656 million.

When compared with the March 31, 2018, total consolidated shareholders' equity increased by 4% and reached up to TL 15 billion 122 million. As of March 31, 2019 capital adequacy ratio of the Group was 13,97%.

As of March 31, 2019, The Parent Bank has operated with 543 branches and 12.821 employers.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD THEN ENDED MARCH 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

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

**Assets**

The Parent Bank maintained its customer-oriented activities during year 2019 and continued to grow mainly in corporate banking and commercial loans. As of March 31, 2019 total consolidated performing loans increased by 3% and reached TL 98 billion and 498 million in 2018 while total consolidated assets increased by 7% and reached TL 175 billion and 758 million compared to the end of 2019. The Bank has maintained developing of corporate based loans (Corporate, Commercial and SMEs) which the Bank has focused strategically during 2018 and corporate based loans has increased by 5%.

**Liabilities**

Total customer deposits of the Group increased by 4% and reached TL 15 billion and 122 million and shareholders' equity increased by 4% and reached TL 86 billion and 701 million.

**Profitability**

Net interest income increased by 4% and reached TL 1 billion and 716 million and net fees and commission income increased by 30% and reached TL 657 million. Profit before tax of the Parent Bank reached TL 823 million and the net profit for the period reached TL 656 million.

**Solvency:**

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

As having a significant place in the Turkish financial markets; QNB Finansbank with its strong financial structure also proves its credibility by the high ratings it received from the independent rating firms.

**General Grants realized during the Period:**

General grants realized as of March 31, 2019 was TL 3.