Annual Report 2017

QNB FINANSBANK

30th YEAR

Contents

Introduction

Annual Report Compliance Opinion (Ernst & Young)

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Building a better working world

Güney Bağımsız Denetim ve SMMM A.Ş.
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(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OFTHE BOARD OF DIRECTORS

To the Board of Directors of QNB Finansbank A.Ş.

1) Opinion

We have audited the annual report of QNB Finansbank A.Ş. ("the Bank) and its subsidiaries ("the Group") for the period of 1/1/2017-31/12/2017.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

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

3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed a qualified opinion in our auditor's report dated February 3, 2018 on the full set consolidated financial statements of the Group for the period of 1/1/2017-31/12/2017.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"), the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,

- The research and development activities of the Group,

- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

5)Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Damla Harman.

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

Damla Harman, SMMM
Partner

Damla Harman, SMMM
Sorumlu Denetçi

March 7, 2018
İstanbul, Turkey

Board of Directors

Ömer A. Aras
Chairman

Dr. Aras graduated from the Academy of Economic and Commercial Sciences, Department of Economics, in 1975. He received an MBA in 1978 and a PhD in Business Administration in 1981 from Syracuse University. Over the next three years, he was a faculty member at the Business Administration Department of Ohio State University, and worked as a consultant. Between 1984 and 1987, he served as Credit Marketing Manager and Credit Committee Member at Citibank, and worked as the Head of Yapı Kredi Securities. Dr. Aras participated in the founding of Finans Bank A.Ş. in 1987, and served as Assistant General Manager for two years and as General Manager for six years and as an Executive Board Member of Finans Bank A.Ş. and Vice Chairman of Fiba Holding from 1989 to 2006. Between 2003 and 2007 he held the Board Member position in TUSIAD (Turkish Industrialists' Businessmen's Association). Mr. Aras served as Vice Chairman of Finans Bank A.Ş. and Group CEO of Finans Bank A.Ş. Group of Financial Companies (FinansLeasing, QNB Finansinvest and QNB Finans Asset Management) between 2006 (November) - 2010 (April). Dr. Aras was appointed as Chairman in April 2010.

Sinan Şahinbaş
Vice Chairman

Mr. Şahinbaş graduated from TED Ankara College in 1984, and from Istanbul Technical University, Engineering Faculty in 1988. He completed his graduate degree in Civil Engineering at George Washington University. He then received Masters degrees in International Relations from Istanbul University and in Finance from Yeditepe University. He began his professional career at Finans Bank A.Ş. in 1990. He worked in Treasury, Corporate Banking and Credit Departments till 1997. In 1997 he worked for the foundation of representative offices of Finansbank (Suisse) SA and Finansbank (Holland) NV in Turkey. He was transferred to Garanti Bank in 1997 as Department Head in charge of the design of a risk management system for new subsidiaries, in the same year Mr. Şahinbaş was promoted to Executive Vice President of Garanti Bank (Holland) N.V. After a year, Mr. Şahinbaş moved back to Finansbank (Holland) N.V. and became General Manager in 1999. In 2001, Mr. Şahinbaş became Senior Executive Vice President at Finans Bank A.Ş. and was promoted as General Manager in October 2003. After serving as General Manager for 7 years, Mr. Şahinbaş became Vice Chairman in April 2010.

Abdulla Mubarak Al-Khalifa
Member of the Board of Directors

He joined Qatar National Bank in 1996 and is the Executive General Manager, Group Chief Business Officer. He holds a Bachelor's Degree in Business Administration from Eastern Washington University, USA. Currently, he is a board member in QNB ALAHLI S.A.E. (Egypt), Housing Bank for Trade and Finance (Jordan), QNB Capital LLC and QNB Finance Ltd.

Ali Rashid Al-Mohannadi
Member of the Board of Directors

He joined Qatar National Bank in 1996 and is the current Executive General Manager and Group Chief Operating Officer. He holds a Bachelor's Degree in Computer Science from Qatar University. Currently, he is a board member in QNB ALAHLI S.A.E (Egypt) and Commercial Bank International PSC (UAE).

Ramzi T. A. Mari
Member of the Board of Directors

He joined QNB in 1997 from Jordan Bank and is the current General Manager and Chief Financial Officer. He completed the Certified Public Accountant Examination from the State of California, USA and holds Master's Degree in Accounting from USA. Currently, he is a board member at Housing Bank for Trade and Finance (Jordan), QNB ALAHLI S.A.E. (Egypt), QNB Capital LLC, Qatar International Holding LLC.

Noor Mohd Al-Naimi
Member of the Board of Directors

She joined QNB in 2000. Held various positions in the Treasury Operations and Control Division until becoming Assistant General Manager Treasury Operations Trading & Investment.

On 2014 she was appointed as Acting General Manager Group Treasury. She had a bachelor's degree from Qatar University from Business Administration.

Fatma A Al-Suwaidi
Member of the Board of Directors

She joined QNB in 1999 and is the Acting Group Chief Risk Officer. She holds a Bachelor's Degree in Accounting and a Master's Degree in Risk Management and a MBA degree from Qatar University. Currently, she is a board member at QNB Tunisia and Commercial Bank International PSC (UAE)

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

Mr. Kerman received his graduate degree in Economics from University of Hacettepe in 1980 and post graduate degree in Project Planning and National Development from University of Bradford, UK, in 1982. He began his career at the Turkish Treasury Undersecretariat where he held several positions, including General Manager and Deputy Undersecretary. During his career at the Undersecretariat of Treasury, he served as Deputy Economic and Commercial Counsellor at Washington Embassy and Acting Executive Director of Asian Development Bank, Philippines, for three years in each position. In 1997, he resigned from Treasury Undersecretariat and was appointed as a Deputy Director of Turkish Eximbank. Same year, he returned back to the Treasury as Director General for Insurance. In 2000, he was appointed as the Vice President of the newly established Banking Regulation and Supervision Agency (BRSA). He also served as a Board Member of Savings Deposit Insurance Fund (SDIF). After having served in both positions for three years, he was appointed as Advisor to BRSA Chairman in 2004. He also served as Chairman of the Board in Toprak, Generali and Ege Insurance Companies on behalf of SDIF. Mr. Kerman retired in 2005 and set up KDM Financial Consultancy Company. He also served as CFO of Yapkim Yavuzlar Plastik A.Ş. for five years until 2014. He has been board member of Finans Bank A.Ş. since April 2013. Finally, Mr. Kerman was appointed as Chairman of Finans Bank A.Ş. Audit Committee in May 2014.

Durmuş Ali Kuzu
Member of the Board of Directors

Mr. Kuzu, Phd graduated from Business Management Department of Political Science School, Ankara University in 1996. After receiving an MBA degree in 2008 from University of Illinois at

Urbana-Champaign, he earned PhD degree in Accounting and Finance from Baskent University. He has a CPA and an Independent Auditor Certificate. During this period, he worked at many national and international committees, attended various seminars and conferences and published many articles. He began his professional career in Vakıfbank, 1996 as a loan analyst and went on Türkiye Emlak Bankası as an internal auditor in 1997-1999. Between 1999 and 2016, he worked in various positions, including Vice Presidency and managerial positions, at the Undersecretariat of the Treasury, Public Oversight Accounting And Auditing Standards Authority, and Banking Regulation And Supervision Agency (BRSA). In August 2016 he was appointed Member of the Board and Member of Audit Committee at Finans Bank A.Ş.

Osman Reha Yolalan
Member of the Board of Directors

He works at Tekfen Holding as Vice President in charge of Corporate Affairs since 2006. He studied industrial engineering at Istanbul Technical University and holds a Master's degree from Bogaziçi University in Industrial Engineering. and a PhD Degree in Management Sciences from Laval University, Quebec-Canada. He started his career as a specialist at Yapı Kredi in Strategic Planning Department. He worked as Head of Corporate and Economic Research Department between 1994-2000 and as executive vice president in charge of Financial Analysis and Credit Risk Management between 2000-2004. He was appointed as CEO of Yapi Kredi and member of the Board of Directors between 2004-2005. He has been a part-time professor at a number of universities in Turkey and has authored a number of journals in the field of bank management.

Temel Güzeloğlu
Member of the Board of Directors and CEO

Born in 1969, Mr. Güzeloğlu has BA degrees from the Electrical and Electronics Engineering; and Physics Departments of the Bosphorus University. Güzeloğlu was later entitled to an MA degree from the Northeastern University, Boston-Massachusetts Electrical and Computer Engineering and an MBA from Bilgi University, Istanbul. Güzeloğlu worked as the Executive Vice President of Finans Bank A.Ş. responsible for Consumer Banking till August 2008. He then served as Executive Vice President responsible for Retail Banking and Member of Management Committee of Finans Bank A.Ş. in August 2008. Mr. Guzeloğlu was appointed as General Manager in April 2010.

Prof. Dr. Mustafa Aysan
Consultant

Prof. Aysan graduated from Istanbul University, Economics Department. He received his MBA degree from Harvard University in 1959 and became a professor in 1974. He has taught in various Turkish and international universities between 1968 and 2000. Prof. Aysan served as Head of the Committee for the Restructuring of State Economic Enterprises from 1964 to 1968, as Head of the Budget Committee of Turkish Republic Advisory Council in 1981 and as the Minister of Transportation from 1982 to 1983. Between 1993 - 2016 Prof. Aysan was a member of the Board of Directors of Finans Bank A.Ş. Since August 2016, Prof. Aysan works as a consultant.

Senior Management

Adnan Menderes Yayla
Executive Vice President
Graduated from the Economics Department of the Faculty of Political Science of the Ankara University in 1985, Mr. Yayla did his MBA at the University of Illinois at Urbana-Champaign between 1992 and 1994. He worked at the Ministry of Finance as Assistant Auditor and Auditor from 1985 to 1995; the Privatization Administration as Project Valuation Division Chief from 1995 to 1996; Price Waterhouse Coopers as Manager, Senior Manager and Partner in Istanbul and London offices from 1996 to 2000; and Türk Dış Ticaret Bankası (Fortis) as the Executive Vice President in charge of the Financial Control Group and Risk Management from 2000 to 2008. Joined Finans Bank A.Ş. on May 2008, Mr. Yayla has been working as Executive Vice President of Financial Control and Planning and the Group CFO.

Ahmet Erzengin
Head of Internal Control and Compliance Division
Mr. Erzengin received his bachelor's degree at the Public Administration Department of the Middle East Technical University. He worked for the Pamukbank from 1988 to 1993. He joined Finans Bank A.Ş. as the Regulations Manager in 1993. In 1996, he was appointed the Head of the Operations Group to manage the operations of the branches and the headquarters. He served as the manager in operations center from the establishment of the operation center in 2001 to the end of 2005. In early 2006, he supervised the establishment of the Compliance Division and he served as the Head of Compliance until September 2012. Mr. Erzengin has been working as the Head of Internal Control and Compliance Division ever since.

Bülent Yurdalan
Head of Internal Systems
Mr. Yurdalan graduated from Eskişehir Economic and Commercial Sciences Academy - Kütahya Business Administration Faculty in 1980. Starting with Pamukbank in 1980, his banking career continued at Citibank Turkey. After having joined Finans Bank A.Ş. in early 1988, he was assigned to executive positions at the Branch Operations, Audit, Treasury Operations, General Accounting, Internal Control Divisions and at some Group banks. Appointed as the Chief Audit Executive in 2003, Mr. Yurdalan served as Executive Vice President in Retail Loans Monitoring and Follow up Department. He was assigned Head of Internal Systems on August 2013.

Emel Yılmaz Özbay
Executive Vice President
Born in 1978, Ms. Özbay received bachelor's degree in Law from Istanbul University in 2000. After working as a lawyer at Koçbank A.Ş. in 2002, she joined Finans Bank A.Ş. in March 2004. She worked in various positions as Foreign and Domestic Agreements Unit Manager and Counseling Department Manager in Legal Affairs. Ms. Özbay worked as General Counsel from July 2015 to February 2016. Since February 2016, she has been working as Executive Vice President in Legal Affairs.

Emine Özlem Cinemre
Executive Vice President

Cinemre received a bachelor's degree in Business Department from Bogaziçi University in 1988. In the same year, she began her carrier in the Foreign Relations Department at Finans Bank A.Ş. and she served in various titles between 1988 and 1997 until she became the Department Manager. In 1977, Cinemre established Financial Institutions Group and now she is in her current position as Executive Vice President of International Division comprised of Correspondent Banking, Structured Funding, Financial Institutions Credit Management and Investor Relations.

Engin Turhan
Executive Vice President

Born in 1980, Turhan received his bachelor's degree in Economics at School of Economics and Administrative Sciences in Marmara University, Mr. Turhan obtained his master's degree in International Political Economy and Management. He began his banking career in the MT (Management Trainee) program at Finans Bank A.Ş. in 2003. After he worked in various sections in Loans Department, he went onto Project Finance and worked in specialist and managerial positions in Project Monitoring, Project Appraisal, Corporate Finance and Syndicated Loans Departments until 2005. After being appointed as Corporate Banking Structured Finance and Syndicated Loans Group Manager in 2012, he took over Derivative Products Sales and was appointed Director in 2014. Commercial Banking was added to his current duties in 2015 and he has been working as Executive Vice President in Commercial Banking and Project Finance since June 2016.

Enis Kurtoğlu
Executive Vice President

Graduated from Electrical and Electronics Engineering Department of Bogazici University in 1999, Mr. Kurtoğlu completed his MBA in London Business School in 2006. He served in several managerial positions in marketing and sales at Citibank Europe Turkey between 1999 and 2002 and in Citibank's Europe, Middle East and Africa Regions London Central Office between 2002 and 2006. He worked as Marketing Director in Citibank Turkey between 2006 and 2010; and then he joined Finans Bank A.Ş. as the Group Manager in charge of Retail Products in 2010. He served as Mass Banking Director between 2012 and 2014 and as Director of Mass Banking and Direct Sales from 2014 to May 2015. Between May 2015 and June 2016, he was the Executive Vice President in Consumer Banking. He has been working as the Executive Vice President in Consumer and Private Banking since June 2016.

Erkin Aydın
Executive Vice President

Erkin Aydın graduated from the School of Engineering of Bogazici University with a Bachelor of Science degree in Civil Engineering and received his MBA degree from the University of Michigan Business School. Starting his career in the US, he undertook Business Development Associate Project Engineer and Project Manager roles in various projects. In 2002, he joined McKinsey & Company in Istanbul where he consulted to various Turkish and global financial institutions in the fields of strategy, marketing and mergers and acquisitions. He started working for Finans Bank A.Ş. in 2008 as a Group Manager in Mortgage and Consumer Loans. He was appointed as Retail Marketing Coordinator in February 2010 and as Executive Vice President of Consumer Banking in May 2011. Following various responsibilities, in September 2017, Erkin Aydın has been named as the Executive Vice President of Retail Banking, SME Banking and Financial Institutions.

Ersin Emir
Chief Audit Executive

Mr. Emir graduated from Department of Business Administration ,Middle East Technical University in 1994. He received his master's degree in Organizational Psychology at the University of London in 2011. He started his banking career as an Junior Inspector at İş Bankası in 1995. Continuing in his career as Inspector in the Internal Audit Department of Finans Bank A.Ş. in 1998, Mr. Emir was appointed the Deputy CAE in 2004. He was in charge of the Head Office and Subsidiary Audits in the past two years, after which he was appointed as the Chief Audit Executive in February 2011.

Filiz Sonat
Executive Vice President

Mrs. Sonat has a BA in Mechanical Engineering from Istanbul Technical University; and in Business Administration from Anatolian University. After working as a mechanical engineer in a private construction company between 1982 and 1986, she started her career in banking İktisat Bank in 1986. Following working at Sümerbank as the Executive Vice President, she joined Finans Bank A.Ş. in 1999. She worked as the Coordinator in charge of Loans until 2007 when she was appointed Executive Vice President in Loans. Since 2016, she has been working Executive Vice President in Loans Monitoring.

Hakan Alp
Executive Vice President

Mr. Alp graduated from Ankara University, Faculty of Political Sciences with a degree in International Relations in 1989. He worked for Internal Audit Department between 1991 and 1997 at Garanti Bank where he also served as the Manager in charge of Training and Development between 1997 and 1999. He started to work for Humanitas Doğuş Human Resources Management A.Ş. and served as Executive Vice President in Training / Executive Development / Finance and Administration / Operation between 2000 and 2003. He held the position of Executive Vice President in charge of Human Resources from 2003 to 2005 at Tansaş and at Sütaş between 2005 and 2006. Mr. Alp joined Finans Bank A.Ş. as Human Resources Group Manager in 2007, and as of June 2010, he has been working as Executive Vice President in Human Resources.

Halim Ersun Bilgici
Executive Vice President

Halim Ersun Bilgici graduated from the Faculty of Law, Ankara University in 1991 and completed his MBA at Yeditepe University in 2010. Bilgici embarked upon his career in 1992 at İktisat Bank and then held the title of Consumer Marketing Coordinator at Şekerbank. Having started working in Loans Department at Finans Bank A.Ş. in 2003, he was appointed Executive Vice President in Retail Loans in October 2013. Since July 2016 he has been working as the Executive Vice President in Retail and Medium Sized Enterprises Loans.

Hasan Murat Şakar
Executive Vice President
Mr. Şakar is a graduate of Industrial Engineering Department, Istanbul Technical University. He worked as the Purchasing Manager at Arçelik A.Ş. between 1992 and 2002, which was followed by the Business Unit Manager position at Rehau Polimer Kimya Sanayi A.Ş. from 2002 to 2005. Having worked as the Purchasing and Technical Services Coordinator in Finans Bank A.Ş. between March 2005 and August 2008, he has been working as the Executive Vice President in Purchasing and Technical Services since.

Köksal Çoban
Executive Vice President
Çoban received his bachelor's degree from the Business Administration Department, Middle East Technical University in 1990. Obtaining his master's degree in Public Finance Department of City University, Mr. Çoban worked for Türk Eximbank and Demirbank A.Ş. between 1990 and 1997. Appointed as the International Markets Director at Finans Bank A.Ş. in 1997, he served as International Markets Group Chief at Finans Bank A.Ş. from 1998 to 2000. Assuming a number of managerial posts in the Treasury Department thereafter, Çoban has been the Executive Vice President at Treasury since August 2008.

Mehmet Kürşad Demirkol
Executive Vice President
Having graduated in 1995 from Department of Electrical and Electronics Engineering in Bilkent University as valedictorian, Mr. Demirkol received his M.Sc. and Ph. D. degrees at Stanford University. He worked as Associate Application Engineer at Oracle - Redwood from 1996 to 1997 and Research Assistant at the Stanford University from 1997 to 1999. He served as Senior Associate at the Atlanta and Istanbul offices of McKinsey&Company between 1999 and 2003. He worked as the Group Head of Business Development and Strategy Department at Finans Bank A.Ş. between 2004 and 2005, and worked as Executive Vice President of IT and Card Operations at Finans Bank A.Ş. Russia in 2005. He served as Business Development and Marketing Director at Memorial Healthcare Group from 2005 to 2007 and as the Head of Information Technologies at Vakıfbank in 2007; he then was assigned as Chief Information Officer and additionally became the Chief Operation Officer in 2008 at Vakıfbank. In the same year, Operations and ADC responsibilities were also assigned to his position. He started working as Executive Vice President at Finans Bank A.Ş. in August 2010, and since November 2011Mr. Demirkol has been working as Executive Vice President in charge of Information Technologies, Operation and Channels & Business Development.

Murat Koraş
Executive Vice President
Koraş graduated from Industrial Engineering Department, Bogazici University in 1999 and completed his MBA in Ozyegin University. He was assigned as a specialist at Finans Bank A.Ş. between 1999 and 2001. In 2004, he was assigned as Assistant Manager in Aviva. He took the tasks of Strategy Office Assistant Manager, Data Mining Assistant Manager, Analytic Marketing Unit Manager and Portfolio Management and Analytics Group Manager at Finans Bank A.Ş. from September 2004 to 2012. Koraş took the Consumer Payment Systems Director task between 2012 and 2015. He has been working as Payment Systems Executive Vice President since May 2015.

Osman Ömür Tan
Executive Vice President
Ömür Tan is a graduate of Ankara Atatürk Anatolian High School and Statistics Department, Hacettepe University. Tan began work at Yapı Kredi Bankası as a Management Trainee in 1995 and joined Finans Bank A.Ş. in 1998. He served as Corporate Branch Customer Representative, Corporate Branch Manager, Head Office Key Account Management Group Manager and Corporate Banking Group Manager. As of October 2011, he has acted as the Executive Vice President for Corporate Banking. Since 2013 he has been working as Executive Vice President for Corporate and Commercial Banking.

Zeynep Aydın Demirkıran
Head of Risk Management
Demirkıran completed her undergraduate study at the Economics Department, Bilkent University and master's degree in Economics at Georgetown University, Washington D.C. After having lectured at Georgetown University until December 1998, she worked as a specialist at the Risk Management Department of Türkiye İş Bankası between 1999 and 2002. She joined Finans Bank A.Ş. in 2002 and worked as Senior Risk Manager and Coordinator of the Basel II Program. In September 2011, she was promoted to Head of Risk Management .

Message from the Chairman

Dear Shareholders,

We welcome 2018 with significant global and regional developments.

The global economy performed better than initially envisaged throughout 2017. The Fed continued to normalize monetary policy while the ECB and Bank of Japan maintained their expansionary stances. The central banks of several emerging markets, including Brazil and Russia, have lowered their respective interest rates as the trend towards weaker inflation became more visible. Various measures taken in China to support credit and investment have been key to higher global growth in 2017. Despite the acceleration in global economic activity, inflation dynamics remained subdued.

Global growth is expected to remain strong through 2018, which hints at a favourable outlook regarding capital flows into emerging markets. Investors' sentiment, however, could alter especially if the central banks of developed countries become less accommodative if, for example, inflation rises faster than expected. Moreover, political risks regarding Brexit negotiations and US Congress elections will also be among the major drivers.

Turkey recorded impressive growth figures through last year thanks to both favourable global financial conditions and expansionary fiscal measures. Being partly fuelled by the Credit Guarantee Fund (CGF) scheme, rapid loan growth played a key role in the acceleration of economic activity. However, this came at a cost of both higher inflation and a weaker external balance. Inflation in 2017 came in at 11.9%, which corresponds to the highest year-end figure since 2003. The current account deficit-to-GDP, meanwhile, increased above 5%, up from 3.8% at the end of 2016. Furthermore, strained ties with the US and Europe led to the increase of volatility in Turkey's financial markets.

GDP growth in Turkey might lose some momentum through 2018 as favourable base effects will no longer be in play. Yet, we expect the deceleration to be limited and full year GDP growth to stand around 5% as fiscal policy will remain expansionary and external demand will continue to support economic activity. On the inflation front, we expect the downward trend that started as of December 2017 to continue in the upcoming period. Yet, the annual inflation rate will likely remain close to double-digits through the year, which might motivate the continuation of tight monetary policy, along with elevated levels of market interest rates. The current account deficit, meanwhile, will likely widen further, albeit at a slower pace.

The Turkish financial sector helped fuel growth in 2017. As QNB Finansbank we participated actively in the loan expansion process thanks to financial incentives and support of the CGF. We believe that supportive policies and stability in the Turkish economy will continue in 2018. With its sturdy infrastructure, Turkish banking will continue to be a leading sector for growth.

Loans extended by the banking sector grew by 21% in 2017, considerably faster than recent years, as the CGF stimulated an acceleration in non-retail loans, which account for three quarters of the sector. Meanwhile, deposit growth reached a relatively high 17% on the back of high nominal GDP growth. Reflecting the favourable impact of stronger economic activity, the non-performing loan ratio eased to 3.2% in 2017, down from 3.6% at the end of 2016. Although funding costs increased significantly on the back of rapid loan growth and tighter monetary policy, the sector was highly profitable in 2017.

This year we celebrated the 30th anniversary of our Bank. Proud of being a part of it since its inception in 1987, our bank supported thousands of individuals and companies and brought in hundreds of Finans-ers (Finansçılar) to the sector.

At QNB Finansbank, with a people-focused approach to management, we believe that generations of analytical and differentiated thinkers and with positive attitudes, will be the fertile breeding grounds for tomorrow's creative leaders. Therefore our main focus in social responsibility is support for and development of, in particular, children and young talents. We undertake and support projects aimed at development of children through education, science and art. Two years ago we established the Little Hands Big Dreams Platform, which allowed us to carry out significant work, with various institutions, oriented towards children.

We have come a long way to where we are today, thanks to the perseverance in our approach to management since the very inception of the Bank and dedicated efforts of "Finansçı"s. Despite significant changes in Turkey and globe, even in its very own ownership structure, QNB Finansbank has continued its steady pace, during the 30 years of its existence always staying loyal to its cultural values.

In the past 30 years we have realized many "firsts". Differentiating itself in terms of basic principles and point of view in banking, QNB Finansbank has evolved into a story of success through the execution of smart banking by professional bankers. QNB Finansbank's successes were presented to the students of Harvard University, one of the most prestigious universities in the world, as case studies four times over the last thirty years.

Qatar National Bank Q.P.S.C. (QNB Group), the largest financial institution in the Middle East and Africa, purchased Finansbank in June 2016. As a result of this investment by QNB Group, we are ranked first among foreign-owned banks operating in Turkey in terms of credit ratings. QNB Group's vision is to become a leading bank in the Middle East, Africa and Southeast Asia (MEASEA) by 2020, and a global bank by 2030. The Group, with its subsidiaries and affiliates, offers a wide spectrum of products and services through over 1.230 branches in 31 countries across 3 continents, served by 28 thousand employees. QNB Group has been ranked as the most valuable banking brand in the Middle East and Africa region since 2013. This reflects the Group's continuous strong performance, expanding international presence and growing brand recognition.

We truly believe that with the support of our main shareholder QNB Group, we are stronger and can aim higher in our aspirations.

Esteemed Stakeholders,

Thanks to your invaluable contribution and support our Bank continues its evolution to get placed among the leading banks not only in Turkey but also in the region.

On behalf of the Board and myself, I would like to thank all "Finansçı"s and stakeholders for their support.

Respectfully,

Ömer A. Aras
Chairman

Message from the CEO

Esteemed Shareholders and Members of the Board,

We have navigated successfully through 2017, the 30th anniversary of the establishment of our Bank. Our profitability was above our targets and our growth rate outdid both our targets and the competition.

As of December 31, 2017, QNB Finansbank's total loans increased by 31% compared to year-end 2016 and reached TL 82,683 million. Net interest income rose by 25% compared to last year and reached TL 5,652 million. Our profit for the period equaled TL 1,603 million. Finally, our shareholder's equity reached TL 12,155 million, marking a 20% year-on-year increase. We have expanded our customer deposit base by 26% in 2017, reaching TL 65,297 million.

Thanks to our robust financial backbone and credit ratings, we were able to diversify our funding base and reach a wide network of investors.

In April 2017, we secured international funding worth USD 200 million for 3 years, with sundry project finance loan receivables as collateral.

In May, we completed a Eurobond issuance with a size of USD 750 million and a tenor of 5 years. The issuance, originally planned for USD 500 million, was increased to USD 750 million following 6 times increase in appetite after successful investor meetings in London and New York. This bond issuance, to which more than 220 investors worldwide expressed interest, was not only the USD Eurobond issuance with the lowest rate realized by Turkish banks in the last two years, but also the highest amount of senior unsecured raised ever by the Bank, demonstrating the trust of international markets in QNB Finansbank with QNB as the new main shareholder.

In November we secured a syndicated loan from international markets in the amount of approximately USD 775 million for financing foreign trade. Compared to 2016 there has been an increase in the number of participant banks and we achieved a roll over ratio of 135%.

In December we obtained, under our DPR Securitization Program, approximately USD 550 million financing for a tenor of 10 years. All these borrowings attest to the trust of markets, investors and correspondents in our Bank.

Within the scope of the EUR 300 million Women in Business Support Program of European Bank for Reconstruction and Development (EBRD), we initially received a loan of USD 55 million to provide to businesses owned or managed by women entrepreneurs. We were the fastest Turkish bank that availed the first tranche and became the only Turkish bank qualified for the second tranche increasing the total loans obtained from EBRD to EUR 100 million. The loan has European Union and Turkish Ministry of Labor and Social Security as guarantors.

In terms of operations and digitalization of financial services, we continued to pave the way. Mobile banking was introduced for carrying out Western Union transactions, making QNB Finansbank the first bank in Turkey to offer international money transfer on mobile phones.

Enpara.com, the first digital bank in Turkey, has turned five years old in 2017. Forming a brand-new category in banking, Enpara.com was the first 100% digital and branchless bank in Turkey. Having reached 870 thousand retail customers, Enpara.com has been serving SMEs since October 2016 with the Enpara.com Şirketim brand and already reached 10 thousand customers. Thanks to the new credit card product we introduced in December, we aim to accelerate our growth and be able to meet almost all banking needs of our retail customers. With the unique experience it offers customers through special bonds established with clients, Enpara.com has a Net Promoter Score of 74. The credit card will enable Enpara.com to have an exclusive position.

As QNB Finansbank we went on with corporate social responsibility studies, sponsorships and organizations that help social and economic development. We will continue our support to arts, sports and entrepreneurship in line with our mission of creating from today the future leaders.

We continued with the second term of the Agricultural Financial Literacy Project, a social responsibility activity in cooperation with European Fund for South East Europe (EFSE) and the Frankfurt School. Farmers in 10 different cities were trained from August to December by trainers of the Frankfurt School regarding financial tools as well as agricultural topics such as irrigation technologies, risk of drought, husbandry.

We will continue to focus on children in our social responsibility projects. Our “Tiny Hands Big Dreams” platform has reached thousands of children. We will go on implementing projects that support the creativity and analytical thinking of children and youngsters. We were awarded the grand prize in the 16th Golden Compass Public Relations Awards for the “Tiny Hands Program the Future Project” realized in cooperation with Microsoft Turkey and Habitat Association. We were also awarded for the Miraculous Mathematics Exhibition that travels the country on special trucks and that acquaints children with the fun mathematics universe.

Our achievements were recognized by many other awards in 2017.

In Bonds&Loans Turkey that awards transactions in project finance and private sector bond issuance, we were given four awards in three categories, two of which are first places. In the category “Transportation Finance Loan of the Year”, we became first with the 3rd Airport in Istanbul and second with Galataport projects. In addition, Galataport Project was awarded first place in the category “Infrastructure Finance Loan of the Year”, and the project for the 3rd Airport in Istanbul became third in the category “Project Finance Loan of the Year”.

We won three awards at Internal Auditors Association Awareness Awards. The Bank won the “Corporate Awareness” award with Finans AuditPro, a journey program for those interested in audit as a career; the “Corporate Awareness” award with Anatolia Visits Program; and Hatice Pınar Yıldız, one of our Bank’s auditors, was given the “Individual Awareness” award for her contribution to social media efforts by TİDE.

Turkey was included for the first time in the independent study of Talent Board, a non-profit organization based in the USA. QNB Finansbank was awarded in the Candidate Experience Survey whereby employment process is assessed by questionnaires with candidates themselves.

2017 witnessed the fourth Bosses of the Future Competition, whereby we target the realization of projects having the potential of adding value and creating employment. 5,800 projects have been evaluated since 2013. In 2017, 46 projects out of 450 made it to the finals. 250 promoters were trained in entrepreneurship. We believe we contribute significantly to the entrepreneur ecosystem with the “Bosses of the Future Competition”.

In 2018 we aim to keep up the QNB Finansbank 2017 picture and outgrow the sector in all areas. We foresee that the banking sector will continue to grow primarily in corporate loans. Measures in line with macro policies toward motivation of exports support such forecasts. We will continue to grow corporate loans in parallel with sectoral growth and focusing on risk costs. Our competitive policies in corporate banking and project finance will be maintained and we will increase our market share in foreign trade operations.

We are well aware of the importance of investment in innovation in the improvement of financial performance. As QNB Finansbank we have achieved significant improvement in operational efficiency as a result of our investments in technology and eventually our customers were able to complete their transactions in a faster manner. In the future we will continue to prioritize projects that will result in increase of our operational efficiency. In 2018 we aim to increase the number of active users of our digital channels.

I offer my gratitude to all our customers, shareholders and business partners who add to our strength while reaching our targets.

Sincerely,

Temel Güzeloğlu
CEO

QNB Finansbank at a Glance

History

Date	Event
1987	•Finansbank A.S was established.
1988	•Finansbank A.Ş. became founding partner of Commercial Union's insurance company in Turkey.
1989	• Finansbank A.Ş. bought 90% shares of PBG Privatbank Geneve S.A., a subsidiary of UBS in Switzerland, and renamed it as Finansbank (Suisse) S.A.
1990	• Bank's shares quoted on İstanbul Stock Exchange (İMKB). • stepped in the leasing sector by founding Finans Leasing A.Ş. • Finans Foundation, giving scholarships to successful university students with limited financial means, was established.
1991	• Participated as 20% shareholder to Banque du Bosphore, established in France.
1992	• Stepped into factoring sector by founding Fiba Faktoring A.Ş.
1994	• Established Finansbank (Holland) N.V., in Amsterdam.
1995	• Approximately 150 branches were opened between 1995-2003 pursuant to resolution to conduct retail banking. • Being among the 5 pilot banks selected, Finansbank became the first bank globally to put into force Reuters Mail System.
1997	• Its investment banking activities were transferred to a newly established brokerage company Finans Yatırım A.Ş. • Finans (Moscow) Ltd its subsidiary bank in Moscow, started its operations.
1998	• Secondary Public Offering of the Bank took place through the issuance of Global Depositary Receipts (GDRs) which were listed in London Stock Exchange. • Established Finans Leasing S.A. in Romania. • Moved its HQ to Esentepe, Istanbul. • Received ISO 9001 Quality Certificate.
1999	• Launched its mobile banking application. • Issued Galaxy Card, the first credit card with installments that combined the features of credit cards and shopping cards.
2000	• Bank purchased Banca de Credit Industrial si Commercial S.A. based in Bucharest and changed its name to Finansbank (Romania) S.A. • Completed the establishment of a significant investment i.e. the Operations Center in Umraniye, Istanbul.
2001	• Sold its shares in Commercial Union Insurance and Commercial Union Life Insurance to CGU International Insurance Plc. • Established Finans Insurance.
2002	• Completed and activated Core Banking Project that enables renewal of all IT systems of the Bank. • Renamed GalaxyCard as CardFinans.
2003	• The Bank's number of branches equaled to 150 and number of employees reached 3,928.
2004	• Finansbank became the fifth largest bank in Turkey in terms of consolidated assets. • Finansbank became the first bank to obtain a first subordinated loan from the international markets.
2005	• Bank's number of branches reached 208. • Obtained the highest amount of uninsured securitization loan by a Turkish bank.
2006	• NBG became the 46% shareholder of Finansbank. • As of year end number of branches equaled to 309.

Date	Event
2007	• Finans Emeklilik was founded. • Bank's number of branches increased to 411.
2008	• Opened Erzurum Operation Center. • Established Finans Tüketici Finansmanı A.Ş. for consumer finance activities. • Bank took its place among the 3 "Most Favorite Firms in Turkey", a research conducted by the Capital Journal for the 8th time. • NBG Group became 94.8% shareholder of Finansbank following their purchase of shares from Fiba Holding.
2009	• Offered clients installments on their purchases with CardFinans Cash (debit card) as a first-time practice worldwide.
2010	• Issued Fix Card, a credit card without a membership fee and reached 300,000 sales in the first 6 months. • ClubFinans Doctors, a credit card targeting doctors in particular, reached approximately 1/3 of all doctors in Turkey with 47,000 customers in the first 8 months. • As a first-time facility from European Investment Fund (EIF) SMEs received significant support in overcoming their collateralization problem. • As a first-time practice in the sector, CardFinans Vadekart offered owners of enterprises opportunities which decreased the use of checks and bills.
2011	• Initiated "Bizce Mümkün" growth program in June.
2012	• Opened a Call Center in Erzurum. • Fully renovated www.finansbank.com.tr internet banking site in line with changing needs of clients with a TL 12.5 million investment in technology. • Cigna, one of the biggest health and life insurance firms in the US, purchased 51% of shares of Finans Emeklilik. • Signed a 15-year agency contract with Sompo Japan Insurance, one of the biggest insurance companies worldwide. • As a first-time practice in Turkey, features of a debit card and a credit card were combined in Fix Card. • Established Enpara.com, the first digital banking platform in Turkey.
2013	• Established eFinans.
2014	• A syndicated loan with the highest amount in the history of the Bank was obtained from international markets.
	• "Basemap" project, geared towards increasing service quality, ranked second in sales efficiency innovation category in EFMA one of the most prestigious innovation competitions in the finance sector.
2015	• Established a social responsibility platform focused on children namely Tiny Hands Big Dreams (MEBH).
	• Finansbank won a total of 9 awards in 4 categories, 3 of which being first places, in Bonds and Loans Turkey which is considered to be the Oscars of the finance sector.
	• An agreement was signed for the sale of Finansbank by NBG to Qatar National Bank.
2016	• Purchase of Finansbank by Qatar National Bank was completed and trade name of the Bank was changed to QNB Finansbank.
	• Following transfer of all shares of the consumer finance company to QNB Finansbank, name of the firm was changed to Hemenal Finansman and the company started its operations.
2017	• QNB Finansbank celebrated its 30th anniversary.
	• As first in the Turkish finance sector, 4 case studies (in 1994, 2006, 2015 and 2017) were made by Harvard Business School on QNB Finansbank's successes.

VISION

Being the architect of every individual and commercial financial plan that will catalyze Turkey's success

MISSION

Forging lifelong partnerships with all stakeholders by understanding their needs, finding right solutions and aiming for maximum customer satisfaction

VALUES

Respect and Commitment

Being "Us"

Innovation

Leadership

Financial Highlights

Income Statement (TL million)					
	2013	2014	2015	2016	2017
Net interest income	3,163	3,088	3,947	4,504	5,652
Net fees and commission income	1,032	1,334	1,314	1,363	1,686
Other expenses	2,294	2,334	2,737	2,800	2,967
Profit before tax	938	1,142	903	1,484	2,049
Provision (-)	203	265	197	280	446
Net profit	734	877	706	1,203	1,603

Balance Sheet (TL million)					
	2013	2014	2015	2016	2017
Total loans	42,910	50,344	57,273	62,923	82,683
Securities	8,731	9,165	9,197	12,950	15,543
Total assets	66,010	75,206	85,727	101,503	125,857
Customer deposits	36,980	40,652	47,009	51,966	65,297
Shareholders' equity	7,648	8,574	9,024	10,126	12,155

Ownership Structure

31.12.2017

Ownership Structure		
	Capital (TL thousand)	**Share**
Qatar National Bank ("QNB")	3,345,892	99.88%
Other	4,108	0.12%
Total	3,350,000	100.00%

International Credit Ratings

Fitch Ratings	
Long Term Foreign Currency	BBB-
Long Term Local Currency	BBB-
Short Term Foreign Currency	F3
Short Term Local Currency	F3
Long Term National Rating	AAA(tur)
Viability	bb+
Support	2
Long Term Senior Unsecured Debt	BBB-

Moody's	
Long Term Foreign Currency Deposit	Ba2
Long Term Local Currency Deposit	Ba1
Short Term Foreign Currency Deposit	NP
Short Term Local Currency Deposit	NP
Baseline Credit Assessment	ba3
Long Term Senior Unsecured Debt	Ba1

Capital Intelligence	
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Financial Strength	BBB
Support	2

QNB Group at a Glance

We are proud to be a part of the QNB Group, a strong and highly-rated bank, with a growing international footprint. Established in 1964 as the first Qatari-owned bank, QNB is the leading financial institution in the Middle East and Africa. QNB Group today is present in more than 31 countries spanning across three continents, with more than 28 thousand employees serving 20 million customers. Proud of its Qatari heritage, QNB Group contributes substantially to the region and beyond.

Businesses of QNB Group

1. Wholesale and Commercial Banking

Offers a comprehensive suite of wholesale and commercial banking products and services including structured finance, project finance, transaction banking, financial institutions, treasury, investment banking and advisory services.

2. Asset and Wealth Management

Provides a powerful collection of onshore and offshore private banking and asset management products, with a bespoke relationship-driven approach for its institutional, high and ultra high-net worth clients. These offerings are complemented by brokerage and custody services in Qatar.

3. Retail Banking

Offers a broad array of retail banking products and services across a multichannel network with more than 1,235 branches(including those of its subsidiaries) and also premium banking services through QNB First and QNB First Plus, designed for affluent clients.

4. International Banking

Focuses on connecting the network to the Head Office, expanding QNB international presence and enabling international cooperation by providing oversight of Group offices, subsidiaries and other key stakeholders including regulators.

31.12.2017

Financial Structure	
Assets	USD 222.8 bn
Net Profit	USD 3.6 bn
Net Profit Growth	6%
Earnings per Share	USD 3.8
Capital Adequacy Ratio (Basel III)	16.5%

Credit Ratings	
Standard&Poor's	A
Moody's	Aa3
Fitch	A+
Capital Intelligence	AA-

Subsidiaries and Associates	
Name	**% Stake**
QNB Finansbank (Turkey)	99.88
QNB Al Ahli (Egypt)	97.12
QNB Indonesia	82.6
QNB Tunisia	99.96
QNB Syria	50.8
QNB Suisse (Switzerland)	100.0
QNB Capital LLC (Qatar)	100.0
QNB Financial Services (Qatar)	100.0
Mansour Bank (Iraq)	50.8
Bank of Commerce and Development (Libya)	49.0
Commercial Bank International (CBI) (UAE)	40.0
Housing Bank for Trade and Finance (HBTF) (Jordan)	34.5
Ecobank Transnational Incorporated (Ecobank) (Togo)	20.1
Al Jazeera Finance Company (Qatar)	20.0

2017 Activities

Corporate and Commercial Banking

QNB Finansbank Corporate Banking serves leading domestic corporations, holding companies, and multinational companies operating in Turkey and overseas. Its network comprises 4 corporate branches located in Istanbul and Ankara as well as regional representative offices in Bursa, Izmir, Antalya and Adana. QNB Finansbank Commercial Banking serves commercial firms through 42 branches.

Corporate and Commercial Banking aims to be the primary bank of its clients. To this end the Department implements a customer-oriented approach via tailor-made solutions and a long-lasting collaboration strategy. Having received two awards in Game Changers Turkey 2016 with its "Istanbul Meetings" marketing program, Corporate and Commercial Banking has been granted two and new awards in Stevie Awards 2017. In the light of monitored positive feedback and enviable outcomes, a new marketing program, "Anatolian Meetings", has been organized in 5 different cities, namely, Gaziantep, Adana, Ankara, Kayseri and Bursa.

In accordance with QNB Finansbank's strategy of growing in the corporate and commercial business lines and in parallel to its vision of being the architect of every individual and commercial financial plan that will catalyze Turkey's success, Corporate and Commercial Banking grew its total loans by 53.6%, exceeding sectorial growth.

Project and Structured Finance

QNB Finansbank Project and Structured Finance Group continued to contribute significantly to the growth of the Turkish economy by financing important projects in 2017.

The Group has successfully displayed superiority by the support and solutions it provided to customers with its experienced staff. In 2017, QNB Finansbank allocated USD 1.9 billion limit to 47 significant projects in Turkey in different sectors of the Corporate and Commercial segments.

The Group, which provides services via three different channels, namely, Real Estate, Infrastructure, M&A Finance; Energy, PPP, Privatization Finance; and Commercial Banking Project Finance, continued to offer its specialized and rapid services in structured deals in 2017.

Commercial Project Finance Unit of the Group, operating since 2013, has brought a different perspective to the sector with its on- site specialists working directly at the clients' premises, offering tailor-made solutions and advisory services. In 2017 the Commercial Project Finance Unit continued to develop special financing solutions for clients.

QNB Finansbank continued to support projects under the Public-Private Partnership scheme in 2017 as well. The bank has committed a total of EUR 189.450 million as the sole financing provider for the 480-bed city hospital project of Akfen İnşaat in Tekirdağ. Also, Bilkent Laboratory Project of CCN Investment Holding, which is the first laboratory project under the Public-Private Partnership scheme, reached its financial closing with international development banks for a total amount of EUR 495 million. QNB Finansbank, as the only commercial bank among the financers and assuming the roles of onshore account bank, security agent and facility agent, participated with a loan amount of EUR 75 million in this transaction.

North Marmara Motorway Project is one of the biggest BOT Projects in Turkey tendered by the Turkish Government Agency "General Directorate of Highways" (GDH) in 2016. In 2017 QNB Finansbank was one of the 6 Turkish Banks which financed Northern Marmara Connection Roads both on the Asian and European Sides for an amount of USD 2.7 billion. Proven by its role in this investment financing QNB Finansbank will continue to be one of the first names that comes to mind in the financing of mega projects .

The loan for the shopping mall project in Balçova, İzmir, in the amount of EUR 140 million, which constitutes the share of Doğuş Gayrimenkul Yatırım İşletme A.Ş. has been approved. The mall, a JV of Doğuş and Orjin groups, will mainly serve the luxury segment, with a gross leasable area of 74,000 m^2 and hotel section of 180 rooms. This project will enable world-famous luxury brands with only one retail unit in İstanbul İstinye Park in Turkey, to reach their clients in İzmir region as well.

QNB Finansbank committed to a loan of EUR 200 million for the Maltepe Piazza, as the sole financing provider. This project includes a shopping mall, with a leasable area of 90.000 m^2 and sellable area of 22.000 m^2 and offices and residences being constructed by Rönesans Real Estate Group in Maltepe. QNB Finansbank Project and Structured Finance Group will continue to play a leading role in key infrastructure, revenue- generating real estate and public-private partnership projects in 2018, which will be critical to the Turkey's development. In line with its confidence in Turkey's future, the Group intends to fulfill its role in meeting financial needs of the Turkish economy as it did in the past.

Cash Management and Trade Finance

In 2017, Cash Management and Foreign Trade Unit continued to provide cost efficient, innovative collection and payment solutions for clients.

Number of firms using the Direct Debit System (DDS), one of the major products in cash management, increased by 26% annually, DDS transaction volume reached TL 9.7 billion, total DDS limit increased by 20% and reached TL 3 billion. In collection services, QNB Finansbank made bill payment agreements with twenty five new institutions. Besides, market share of collection cheques reached 4.5%.

QNB Finansbank, playing a pioneering role in e-transition in the sector by e-Invoice collateral loan offered to customers getting e-Invoice services from its subsidiary eFinans, made efforts in order to provide financing to suppliers through e-invoice discounting model. Additionally, QNB Finansbank made agreements with corporates in order to support SMEs for instant liquidity and collateral needs. In 2018, the bank aims to meet customers' expectations with brand-new solutions such as primarily e-Book integration in the field of e-transition.

QNB Finansbank, which offers innovative products to its clients for their needs, doubled the transaction speed in its Money Transfer / EFT transactions in 2017 through infrastructural developments. Digital approval of the DDS authorization documents and automatic payment orders are enabled for increasing customer satisfaction. In addition, according to the instructions given to the bank for institutional payments, collection with one touch is made possible.

On every occasion, QNB Finansbank expresses the importance of electronic banking and tries to develop effective and practical solutions for customer needs. Thanks to its trade finance internet branch menu, 12% of its trade finance customers are executing transactions via internet. Also, in the last quarter of 2017, a new product was launched for SMEs and commercial segment customers, namely, "Eco Foreign Trade Commission Packages". Through this new product, companies can make their transactions by paying a package fee instead of paying for each transaction.

While Turkey's foreign trade volume grew by 15% in 2017, QNB Finansbank's foreign trade volume increased by 19%. Resultantly, the Bank achieved a market share of 6.88% in exports, 5.05% in imports and 5.68% in total foreign trade. The volume of import letters of credit has grown by 30% with the help of financing opportunities offered in imports.

QNB Finansbank, with its wide correspondent network and strong capital base and using the advantages of being a part of QNB family which is main financers in Middle East and Africa region aims to be the main bank in 2018 for the firms that carry out trade business especially in this region.

SME and Agricultural Banking

SME and Agricultural Banking consists of three different business lines: Medium Size Enterprises, Small Size Enterprises (Micro) and Agricultural Banking.

Companies with annual revenues up to TL 4 million are administered under Small Size Enterprises Unit, while those between TL 4 to 40 million are under Medium Size Enterprises portfolio. Agricultural banking unit serves a specific business area, including farmers, tradesmen as well as exporters, regardless of revenue.

Since 2012, QNB Finansbank's SME and Agricultural loans quadrupled, and has increased 25% since last year. QNB Finansbank SME and Agricultural Banking serves clients with approximately 1500 employees at about 500 branches. Thanks to its focus on and continuous support to SMEs, QNB Finansbank outgrew the market in 2017 and increased its market share. SME loans constituted roughly 33% of cash loans at year end 2017.

In 2017, QNB Finansbank continued to invest in out-of-branch channels in order to allow customers to complete transactions in the fastest and most effective manner and benefit from banking services without leaving their offices. KOBİ Rahat Hat (SME Comfort Line), serving SMEs only and allowing all banking transactions to take place on the phone, has enabled QNB Finansbank to provide immediate and professional support to SMEs, thereby offering swift solutions, without the necessity of visiting the branches. QNB Finansbank Internet and Mobile branches continued to provide uninterrupted services to clients with its newly added functions in 2017. Moreover, with the "SME on the Field" project, QNB Finansbank SME Banking portfolio managers were able to complete all banking transactions on their tablets at the offices of the clients, from account opening and loan application to credit limits and POS requests.

With the help of these services, in 2017 QNB Finansbank reached 30,000 customers and lent around TL 10 billion of Credit Guarantee Fund (CGF) backed loans. QNB Finansbank supported women entrepreneurs with more than TL 90 million loans guaranteed by European Bank for Reconstruction and Development (EBRD). Furthermore, QNB Finansbank acted as an intermediary for another fund, COSME, which aims to fund SMEs who are unable to obtain loans otherwise, and availed more than TL 250 million in loans to more than 9,000 customers.

QNB Finansbank targets to empower SMEs in the face of global competition; to this end it has been offering SMEs training and consulting regarding foreign trade. Its organizational structure is so made to locate itself close to its clients in order to effectively offer its services and trade finance expertise through its regional network. By allowing clients to carry out foreign trade transactions on the Internet branch, QNB Finansbank lets them conduct transactions quickly and effectively on all banking channels.

To make customers more comfortable, QNB Finansbank offers "Comfort Packages" which lets customers pay an upfront one-time annual fee for all their banking transactions and never worry about transaction costs again.

In 2017, QNB Finansbank met with clients in different cities every two months to listen to their concerns and needs and worked with different Chambers of Commerce to allow easier access to SMEs who are in need of banking services. In addition to supporting established SMEs, QNB Finansbank supports entrepreneurs and the entrepreneurial ecosystem as well. The "Bosses of the Future" competition, which celebrated its fourth anniversary in 2017, helps entrepreneurs get a foot ahead by providing them financial support and free services, as well as have a chance at getting investments from angel investors.

Real Estate Projects Financing

Carrying out the real estate project financing with its expert team in order to support the construction sector, one of the leading sectors in Turkey, QNB Finansbank serves special financing models created on a project basis, to companies working in build-and-sell and urban transformation areas.

In addition to the financing solutions intended for the companies, QNB Finansbank also provides support with campaigns and personal payment plans to the customers who would like to buy a house from these projects.

In 2017, within the scope of Real Estate Projects Financing's activities, more than 200 real estate companies were supported with financing models having different maturities and collaterals tailor-made for each project. Thus QNB Finansbank increased its loans up to TL 1 billion and grew by 60% compared to the previous year.

QNB Finansbank which carried its expert working structure to the branches under the title "Real Estate Project Financing" in 2017, will continue its innovative work in the sector in 2018 with expert employees dedicated only to the build-and-sell sector in 20 branches and grow by offering customized solutions.

Agricultural Banking

Having a strong belief in the strategic importance of the agricultural sector, QNB Finansbank provides services to its customers with 199 personnel in 141 branches as of 2017. Diversifying its services according to agricultural activities and regions where these activities are carried out, QNB Finansbank Agricultural Banking increased the number of its customers to 68.230,its agricultural loans to above TL 3.3 billion achieving a 50% growth compared to the previous year.

With the purpose of supporting modernization processes and helping businesses reach economies of scale in agriculture, QNB Finansbank offers favorable payment terms and up to ten years of maturity on investment loans. QNB Finansbank also mediates in the Instrument for Pre- Accession Assistance-Rural Development (IPARD) projects.

QNB Finansbank Agricultural Banking supports certified agricultural production that increases product quality which results in high-quality food for consumers. In this context, organic farming activities are supported with favorable rates and payment periods.

The organization's new product, QNB Finansbank Agriculture Card, was introduced in 2017. This card, which works with a DDS (Direct Debit System) infrastructure, is a payment tool that helps producers fund their agricultural business needs interest-free for up to six months while securing the receivables of the firms that supply raw materials such as fuel, fertilizers and seed and avoiding invoice problems.

QNB Finansbank Agricultural Banking continued a project which had started in 2016; a countrywide financial literacy project as a social responsibility activity in cooperation with EFSE and the Frankfurt School. Farmers from different parts of the country have been informed about efficient use of financial tools, income and cost management, and investment of savings.

In 2018, QNB Finansbank will continue to contribute to the growth of the agricultural sector through its improved products and services.

Retail, Affluent and Private Banking

In line with its strategy, QNB Finansbank operated through 580 branches in 2017.

Retail Loans

For Retail Loans and Overdraft Account, structural improvements were realized in 2017 to meet customers' urgent cash needs in a quick and convenient way. Internet, mobile banking and Call Center were made fully compatible for rapid loan solutions, and new products were launched. In addition, at qnbfinansbank.com, a consumer loan application process was generated for both existing customers and first-time loan customers offering a final approval. Also in June 2017, QNB Finansbank created the first digital loan application of Turkey, KrediGO, thus continuing to be the leader in the sector.

As of December 2017, while QNB Finansbank maintained its market leader position in overdraft products, it also reached a market share of 6% in retail loans, overdraft and other loans.

QNB Finansbank Retail Banking continued to be by the side of its customers and to make attractive loan offers to public employees, salary tie-up and QNB Finansbank's first-time retail loan customers. Also, the existing system of printed documents for consumer loans were moved to the digital environment and a considerable part of credit utilizations were offered through digital approval.

Due to its pricing strategy in 2017 and with its business model that focuses on housing projects, QNB Finansbank maintained its competitive position in the housing loans segment and brought its Housing Loans at the end of the year to the TL 5.3 billion level.

Mass Banking

Thanks to systemic developments addressing market requirements in salary payments and strong collaboration between different units of our bank, growth continued. We continued to focus on corporate and multinational companies and salary payments agreements with the leading local and global companies. Programs which provide advantageous loans, special deposit rates, and various discounts for salary tie-up customers have also been in place.

QNB Finansbank continues to be the choice of retirees as a result of high level of satisfaction due to the advantages provided to those who receive their pension through QNB Finansbank, including fee exemption through common ATM use, exclusive credit cards, etc.

In 2017, new products which are customized in line with needs of different customer segments, were added to the insurance products portfolio. "Return On Premium Personal Accident" insurance plan and "Dental & Vision Personal Accident" insurance plan are the most remarkable new additions. Also, the products of insurance companies for which we act as agent were started to be offered to customers through digital approval processing under "Sales Through Digital Approval Projects".

In order to ease the life of our retail banking customers, three different packages were offered within the product "Finansçıdan Kazançlı Paketler" in 2017. The bundle product is designed to provide advantages in banking transactions while saving on transaction costs and time. This product enables customer's free usage of transactions within the limits of the package type. Targets for the following period include enriching package contents to increase the satisfaction of customers.

In all our branches, we provide services to customers to send and receive money to and from abroad in a fast, easy and reliable way through Western Union. In 2017, our mobile banking channel started executing Western Union payments which offered to our customers the possibility to transact on a 24/7 basis.

QNB Finansbank continued to be the main sponsor of Trabzonspor and sponsor of the Fenerbahçe men's basketball team. In order to attain new customer acquisition and increase customer satisfaction, branding and communication efforts were made for retail banking customers among Trabzonspor and Fenerbahçe fans. Specifically, CardFinans Trabzonspor and CardFinans Fenerbahçe credit card products were introduced through bank and club channels.

Deposits Product Management and Gold Banking

In 2017, in addition to the standard products such as time deposits, QNB Finansbank has continued to offer alternative products to its customers for the investment of their savings, such as accumulation deposit products and products combining the features of term and demand deposits.

In addition to the "Double Yolk Account", which offers simultaneously the comfort of a demand account and interest of the term account, "Daily Yield Account" for affluent and private customers has been introduced in 2017. "Payroll Account", with 366 day maturity, which invests interest income every month as a second salary, offers the advantage of long-term investment while providing the opportunity to the account holder to use interest income monthly. QNB Finansbank provides solutions for different needs of customers with "Flexible Time Deposit" that allows customers to withdraw a portion of their deposits without breaking the maturity and still earn interest on the amount withdrawn.

In 2017, QNB Finansbank has continued to offer Gold Demand/Time Deposit Accounts, which enable customers to buy and sell gold, and organized "Gold Collection Days" for customers to safely save their gold deposits in the bank avoiding the risk of theft or loss.

For customers who want to generate income in changing market conditions, QNB Finansbank introduced "Multi Currency Time Deposit Account" whereby both foreign exchange gains and interest earnings can be obtained. Customers can open this account in Turkish Lira, US Dollar, Euro, Pound, Japanese Yen or Swiss Franc. While customers can open as many accounts as they want they can make a purchase/sale transaction among selected currencies without losing interest. In addition to time deposits, accumulation products continued to be offered in 2017.

Investment Products

In 2017, QNB Finansbank with the expertise of QNB FinansInvest and QNB Finans Asset Management, continued to offer mutual funds, corporate bonds, commodity, domestic/foreign equities and future exchanges in line with the risk and return expectations of customers.

In addition to the existing investment products, in 2017 QNB Finansbank and its subsidiaries continued to diversify their product range by innovative products. QNB Finansbank adopted the principle of providing services to its customers with the products that best suit the current market conditions and the customers' risk and return preferences. In 2017, more than 20 bonds were issued and customer assets were managed in line with their respective investment profiles thanks to the expertise of our subsidiaries, QNB FinansInvest and QNB Finans Asset Management.

In 2017, total bonds volume increased more than three times compared to the previous year. Total investment volume, consisting primarily of stocks offered via our subsidiaries, increased 31% yearly.

Affluent Segment

In 2017, QNB Finansbank's primary focus in its marketing activities and projects was to strengthen relationships with Affluent Segment customers and to increase their loyalty and satisfaction.

Thanks to the customer acquisition projects geared towards special customer groups, with assets between TL 100,000 and TL 1 million, the number of affluent customers were increased by 15%.

QNB Finansbank Affluent Segment customers are able to easily access all banking services and benefit from other special services offered by the Xclusive World, with dedicated customer relations managers and Xclusive Call Center assistants. QNB Finansbank Affluent Segment customers have the advantage of free EFT transactions through online and mobile banking, higher withdrawal limits at ATMs, free withdrawal from other banks' ATMs, and favorable stock transaction fees and safety box.

With Xclusive Loyalty Program, QNB Finansbank increased retention of affluent segment customers by offering privileges other than financial services. Affluent Segment customers who own Xclusive credit cards are entitled to benefits such as "Private Personal Driver", "Free Dry Cleaning", "Motovale" and free books from the "Xclusive Library". In 2017, The Xclusive Travel and Concierge Team started to provide concierge services, prepared special travel packages and made front seat reservations in special events for QNB Finansbank Affluent and Private Segment customers.

Private Banking

QNB Finansbank Private Banking provides a wide range of products to all retail clients with assets under management in excess of TL 1 million.

QNB Finansbank Private Banking manages the assets of its customers in accordance with their risk and return expectations. Private Banking customers are offered a wide range of investment products such as deposits, mutual funds, derivative products, equity and futures.

With its motto in private banking "Banking Has Never Been So Personal", QNB Finansbank is the first and the only privately owned bank in Turkey to present as a gift to its private customers TAV Passport Card, a card of privileges at the airport. Moreover, QNB Finansbank Private Banking customers can withdraw cash from ATMs up to TL 10,000 per day, have consultancy services about various topics, enjoy a discount on banking transaction fees and safe deposit boxes, and access information about the financial developments with market bulletins prepared specially for them. QNB Finansbank Private Banking also enhances the lives of its customers by offering free attendance to many artistic and sporting events as well as sponsorships throughout the year.

With the privileges of Xclusive and Private Credit Cards, QNB Finansbank Private Banking customers take full advantage of "Assistance Services", "Private Personal Driver", car rentals, "Motovale", "Free Dry Cleaning", free books from "Xclusive Library", discount on safety boxes, and installments for Duty Free shopping.

Throughout 2017, QNB Finansbank Private Banking focused especially on new customer acquisition and customer retention by offering new products and exclusive service offerings. As a result, the number of private customers has increased considerably.

Quartz Wealth Management

Quartz Wealth Management was established in 2013 for providing services to customers who have high risk sensitivity and prefer such sophisticated financial instruments as derivative product tools, investment fund tools, and capital and money market tools in their investments.

Quartz Wealth Management serves Quartz customers assigned to wealth managers with a long-time experience in banking sector and are qualified in product knowledge and market intelligence.

Thanks to the "Quartz Acquisition Model", Quartz Wealth Management reached more than 2,500 customers and approximately TL 7.5 billion portfolio size. In addition to the standard banking applications, it also extends wealth improvement opportunities in line with customers' risk/return expectations and help manage their risks sustainably.

Enpara.com and Customer Experience Office

Enpara.com

Launched by QNB Finansbank in October 2012 as the first direct banking model in Turkey, Enpara. com offers retail banking services through digital channels only (internet, mobile, call center and ATMs), without utilizing physical bank branches as a service channel.

By attracting 260,000 new retail customers in 2017, Enpara.com has reached a total of 893,000 customers, achieving a 40% growth. It has also expanded its deposit volume by 20%, which exceeded TL 6.6 billion. On the loan side, the volume reached TL 1.2 billion with a 63% growth.

Enpara.com Şirketim, which has been serving small businesses since October 2016 reached 10,000 customers by the end of 2017.

Enpara.com managed to maintain its high-quality service amid the significant expansion of its client base. Enpara.com's customer satisfaction remained at 98.2% and its Net Promoter Score at 74% in 2017.

With its field team visiting first-time customers all around Turkey, its contact center team answering calls in less than thirty seconds, and its relentless focus on flawless user experience and customer friendly practices, Enpara.com received numerous notes of gratitude from its customers and continued to raise the bar for customer service for the entire industry. It has also reinforced its innovative image with the "no annual fee" Enpara.com Credit Card launched in December 2017.

Customer Experience Office

Customer Experience Office, established in 2015, aims at measuring and raising customer experience at QNB Finansbank above the sector and its own standards. Since inception, it has helped business lines define their core operating principles in key areas shaping customer experience and measured the outcome using various methods including the Net Promoter Score. Based on these efforts, the Customer Experience Office has identified areas with potential for improvement and coordinated the relevant business lines to plan or implement the necessary changes. The existence of this office provides QNB Finansbank with an important advantage towards becoming the bank offering the best customer experience in Turkey.

Payment Systems

CardFinans

CardFinans ranked among the top five brands in the Turkish credit card market in 2017 with approximately 4.98 million cards issued and TL 51 billion turnover. In 2017, CardFinans market share was 9.3% and total balance of credit card receivables was TL 10.5 billion. S-mail service enabling the access of the cardholders to their statement details by their mobile phones, reached to over 1.1 million customers at the end of 2017.

Gift Money

This program enables CardFinans credit cardholders to make free purchases in member stores from TL 150 up to TL 1,500. With spending commitment made by cardholders in exchange for the amount of Gift Money used, customers' usage of CardFinans in their purchases within 12 to 18 month timeframe is secured. The Program includes leading brands in various sectors in addition to making unprecedented offers, and has been appreciated by CardFinans users in a short period of time.

CardFinans Fix

CardFinans Fix, which combines credit card, debit card and contactless payment capabilities in a single card, continued its significant growth. CardFinans Fix, one of the first examples in the Turkish market of a card without an annual fee, has become a preferred brand by the users today.

CardFinans Retiree

Retirement payroll account holders at QNB Finansbank were offered a new credit card product in 2014, providing discounts and advantages in pharmacies and food stores. This product, has become highly favored and continued its rapid growth in 2017.

New Customer Acquisition

Credit card portfolio was expanded with the use of targeted campaign offers to new customers. Customers were offered a new channel via mobile banking for their credit card applications.

Xclusive

In 2017, ClubFinans Xclusive was rebranded as Xclusive credit card as part of a renewed Xclusive World and a variety of new services and privileges were introduced in the program. Among these privileges are 15% discount at restaurants, Xclusive Library, "Assistance", Motovale service with discount, dry cleaning, chauffeur service with discount, car rental with discount, installments for shopping abroad and Duty Free purchases, and restaurant discounts for spending promises.

BÜMED Xclusive

BÜMED Xclusive continued to offer exclusive services and privileges in 2017. Some of these privileges are free BÜMED tuition payment using Gift Money, chauffeur service with discount, Xclusive Library, "Assistance", free dry cleaning, Motovale service with discount, installments for shopping abroad and Duty Free purchases and restaurant discounts for spending promises.

Xclusive Doctors

Designed exclusively to serve the needs of doctors, ClubFinans Doctors and ClubFinans Doctors Xclusive continued to provide privileged services as a new product, Xclusive Doctors card. Thanks to QNB Finansbank's initiative to embrace the healthcare sector, Xclusive Doctors card penetrated 50% of the sector.

CardFinans Nurse Card

QNB Finansbank launched CardFinans Nurse Card, a first in Turkey, in March 2013, which is offered to nurses, midwives and medical assistants. CardFinans Nurse Card is a credit card, which offers ease of payment with Paypass features. CardFinans Nurse Card, which provides privileged services to nurses, penetrated more than 25% of the sector.

CardFinans Cash

CardFinans Cash ranked 9th in the Turkish debit card market, capturing a 5.2% market share in terms of turnover with 5.7 million cards issued. CardFinans Cash offers cardholders many opportunities and benefits such as installment payments (a first in the sector), MoneyPoints, PosPara and e-commerce shopping.

CardFinans Commercial Cards

CardFinans commercial credit cards, designed for supporting cash management of business owners, represent 13.92% of the total Turkish commercial credit card market with 524,554 cards issued. The name of Vadekart was changed to CardFinans KOBİ in 2017. CardFinans KOBİ offers many possibilities such as payment deferral, after-sales installment, statement deferral and instant loan, making it possible for the users to earn while buying.

POS

In line with the growth strategy, the number of POS machines used in our merchant network increased to 244,534. POS volume market share reached 5.3% with 173,005 member merchants.

Information Technology (IBTech), Operations, Channels and Business Development

Information Technologies

In line with QNB Finansbank's 2017 strategies, Information Technology Department (IT) enhanced products and services at the Bank's core banking system (Core Finans), alternative delivery channel applications and payment systems. An increase in efficiency and productivity was achieved in operational processes of existing or new products and services.

IT completed 179 projects requested by QNB Finansbank and its subsidiaries. IT spent 64,939 man-days on these projects with an average effort per project exceeding 363 man-days. IT also responded to 11,000 software development change requests and demands requiring an effort of less than 40 man-days per project.

The project on accessibility of banking services by disabled customers has been completed. The effects of this project on branches and channels were designed as separate projects; such as "Chat Application", "Video Call Application" and "Voice ATM" have been introduced.

The Enpara Credit Card product was offered to pilot customers in November in order to expand Enpara.com's individual customer portfolio and deepen product usage by existing customers, approximately 43,000 applications were approved in 3 weeks.

With a single menu step on Tablet and Core Finance - Branch application, all product applications / sales are made simply and quickly near the customer. As a result of this application which is the first in Turkish first banking sector that works on windows-based tablet, an increase in customer acquisition and product use and improvement in product processes are observed.

After login from mobile banking at ATMs, works have been carried out to enable cardless login process and money withdrawal using QR code.

For the newly established Hemenal company, both the dealer portals and the credit processes have been integrated into the project and the card option from cross sales project was added.

We have developed a mobile credit application that allows easy loan application. The application was the first in the sector and the processes were simpler and easier than the existing loan application processes.

With Moody's application disabled, all scoring operations were done from the single source developed in-house. Alongside offering advantages in terms of maintenance and extra enhancement costs, this application has also saved significant operational time for the branches.

Using artificial intelligence-based Call Steering technology that understands natural speech, a structure has been established, in which customers can talk to a virtual person.

With the Product Proposition Infrastructure Project, works have been carried out to increase sales from Alternative Distribution Channels (ADC) by offering right products to the right customers and preparing the infrastructure for product recommendation.

Using Mobil Finansci (MF) application which enables the sale of products to customers at any time and place without branch dependency, the personnel of Finans Maaş client companies can be offered numerous MF products including account opening, completion of missing documents, debit card submission and credit card campaigns.

Following the applications of commercial customers received via SMS in the KPC (KOBİ Para Cepte) Project, limit is allocated after commercial scoring.

Integrated call systems have been set up by combining the different systems used by Predictive / Progressive / Preview calls by the collection customer search teams. As a result, performance increase has been achieved and the erroneous actions were avoided.

With the Outsource Call Integrations project, third party companies that provide call collection service have started using QNB Finansbank Call Center infrastructure.

The HSBC POS devices have been removed from the field and all HSBC cards are able to transact from QNB Finansbank POS as "On-Us" cards. This marks, the first instance such an infrastructure is established between two banks in Turkey.

POS merchant's work condition change and additional POS input operations have been carried to the CoreFinans / TouchFinans Esnaf Paketi from the existing UBDS application.

By integrating with the campaign systems used for bank and card campaigns, customers were provided with mobile campaign monitoring, input / output and follow up and detail observation functions.

Operations

The transactions were performed in line with the principle of quality, accuracy and fast service. QNB Finansbank ranks among the best in the sector in terms of Service Level Agreement (SLA) durations for all transactions. With the improvement of duration times by 15%, a conformity level of 99% is achieved in 2017.

In 2017, where efficiency became more important, process improvement and automation works have been continued and successful results were achieved in this field as a result of these projects.

The "Branch Marketing Service Center Project", which has taken over the operational workload of branch marketing teams, has continued to lend support to these marketing teams with new business items added to the business portfolio as well as sales campaigns made on the basis of the region, and has contributed to the financial targets of the Bank. At the same time, branches are supported in their credit allocation process by the conduct of the preliminary analysis and analysis of the financial data of the customers. In 2017, 18% of the team has been appointed to the branches offering them a good career flow while providing trained staff to the branches.

Customer needs and transactions were actively tackled in line with the principle of "the customer always comes first" and customers calls to our branches were met and the contribution to customer satisfaction has been continued with high coverage rate.

During the Finans Maas process, 17% of the workload of the central operation teams was directed to alternative channels, thereby achieving efficiency. Reporting integration with GIB and transfer of approximately 340 MM lines of data have been completed. Number of requests for information from official institutions increased by 30% compared to previous year. In 2017, number of documents received from Ministry of Justice, MASAK, BRSA, GIB, Courts, Prosecutors Office and Security General Directorate and responded were approximately 780,000.

Operation Field Support Centers (OSDEM), structures providing service to multiple branches, were established instead of the operation support staff in the braches. With the new organization, 50% efficiency has been achieved in the operation staff and a structure was built which functioned more effectively with systematic developments and minimized risk. In branch and customer transactions , committed execution times have been met by 97%. In addition, all branch and field teams faced a single channel for their operations. With the new structure, the instructions sent by fax and email have increased by 1,100%, enabling transactions to be processed much faster.

As a result of the first no-operation branch in the sector the satisfaction levels of branches and field teams as well as the quality of service provided to customers have increased.

Direct Banking

Direct Banking continued its efforts for the growth of Direct Banking channels in order to increase customer acquisition and customer satisfaction, ease branch workload and decrease service costs.

Direct Banking Portfolio Management team has continued marketing activities in order to increase the number of Direct Banking customers and to ensure loyalty to channels. Digital customer penetration continued rising in parallel to the marketing activities, and the number of digitally active customers reached almost 2.2 million with 21% annual increase. 80% of the digital customer portfolio preferred getting banking services through the mobile channel. As a result of mobile-centered marketing efforts and technology investments, active mobile banking customers reached 1.9 million with an annual increase of 38%.

Through promotional activities targeting customers preferring branches and with the help of new ATM installations, migration of branch transactions to Direct Banking channels has continued. As a result, the share of most frequently done cash transactions within the branch decreased to 14%. Only one of every 10 cash withdrawal and deposit transactions are made through our branches.

Direct Banking channels also continued to serve as an efficient sales channel; approximately 30% of loan related products were sold via Direct Banking channels.

Earnings from commissions were raised through the adoption of Dynamic Currency Conversion application in ATM transactions made with foreign cards. New convenient ways of cash withdrawal and money transfer were introduced with the launch of cash withdrawal via QR code and money transfer to phone number through our mobile application. ATM network totaled 2,817 of which 1,245 were at branches and 1,572 at non-branch locations. New investments

to increase the number of recycle ATMs making up 52% of our ATM inventory and offering saving on operational expenses have continued in 2017.

Call Center and Telemarketing

In 2017, QNB Finansbank Telephone Banking received 31.9 million calls, of which 52% ended up at the Interactive Voice Response (IVR) system.

We started meeting our clients with Call Steering technology as from May-2017. It is a technology by which clients are able to access IVR menus by merely speaking.

Telephone Banking of QNB Finansbank provided sales and services of various financial products to its clients via inbound and outbound calls. Telephone Banking Team reached 12.2 million customers with outbound calls.

Telephone Banking Team also has continued to provide the Bank with highly-qualified human resources during the year. 75 customer service representatives were transferred from Call Center to the branches and other departments.

Serving SME customers since 2014 ,SME Cloud Call Center provided service to 490 branches in 2017 making on a monthly basis, an average of 68,000 customer contacts.

Customer Solutions Center

The Customer Solution Center ensures that complaints, appeals and requests from customers are recorded and responded to within defined quality standards and durations. The quality of the solution is measured regularly with controls, and the feedbacks guarantee achieving the targeted quality standards.

In addition to individual resolution of the records, root causes of the problems are identified and corrective actions are determined. In order not to experience the same problem again, necessary follow-up and coordination are carried out until right actions are taken.

In order to improve customer satisfaction and service quality, the contents of the records are analyzed regularly, the channels are informed about the topics that can be shared on the front, trainings are given, and the opportunities for improvement are identified and realized.

With the activities of the Customer Solution Center in 2017, an improvement of approximately 24% in the number of records opened and 25% in customer satisfaction have been achieved, compared to the previous year.

Business Development and Strategy Office

The main responsibilities of QNB Finansbank Business Development and Strategy Office are monitoring business processes and workloads, bringing effective E2E or local solutions to sales and operational processes both in branches and ADCs (Alternative Distribution Channel), and implementing them considering technological innovations, changing customer needs, regulations and strategies. Significant projects in both branches and other channels are put into practice in 2017.

Digital approval has become available for all retail banking products. In addition to product sales, infrastructure of digital approval for other retail banking processes has been established. The project will be completed in the first half of 2018 so that all customer transaction orders can be approved digitally.

With the application of "Mobile Finansçı Solo Product Sales", products offered to individual customers via Direct Tablets of Mobile Sales Personnel have been enriched.

Projects and analyses in order to improve the sales process of mortgage loan and overdraft for individual customers began in 2017 and are planned to be completed in 2018. Infrastructural projects for the digitalization of QNB Finansbank salary payment processes are completed and aimed to be rolled out to all branches during the first quarter of 2018.

In order to support SME and Agricultural Banking, and Commercial Direct Sales teams to increase their sales effectiveness, a project which will enable them to make sales and observe customer portfolio via tablets, has been completed in 2017.

A project consisting E2E analysis and renewal of POS application processes was carried out in 2017, which decreased POS application time span considerably. At the same time, digital approval choice for commercial customers became available for products such as insurance, POS, and Direct Debiting System.

Works in order to optimize the loan allocation processes in commercial customer segment were initiated in the second half of 2017. With these projects, service will become quicker and measurable by categorizing loan offers. In addition, with digitalization studies the process will become less paper-dependent.

Corporate Banking project including analyses of Corporate Banking processes in order to improve sales productivity was initiated.

In 2017, the developments in QNB Finansbank's Internet and Mobile Banking channels that emphasize user experience, enhance transaction diversity and improve the security infrastructure have been made.

QNB Finansbank campaigns were integrated with mobile banking applications so to present personalized campaigns on mobile applications, to get participation and to access campaign details. In addition, product offerings according to the tendencies and needs of our customers were started to be made during the transactions in digital channels.

For the first time in Turkey, Western Union Money Transactions are made with a mobile banking application. Money transfers to mobile phones, which enables 7/24 money transactions, and login to ATMs and withdrawing money from ATMs via QR code, are added to Mobile Banking transactions.

Paran Hazır Menu, designed for cash needs of our retail customers, are offered for loans and credit card products through Mobile Banking. Our corporate customers are enabled to use and payback commercial installment loans and debtor current account (BCH) loans within their credits limits via mobile banking.

Within the scope of increasing the variety of offered products and services, we have made improvements for our customers' daily lives such as increasing the diversity of deposits by enabling the opening of the Saving Account, displaying the Fast Toll Collection System (HGS) balance, loading and transit movements and searching for account transactions. It was made possible for the customers to apply for a credit card on mobile banking and to manage their payments by adding installment, deferral and debit transactions.

Our customers who are both individual and SME mobile branch users, can add profile photos on their mobile devices and save their users for quick access.

Our internet and mobile banking channels have been made compatible with screen reader programs for our visually impaired customers. A live support menu has been added for our hearing-impaired clients to receive written support from their Finansçı tool.

For customers using QNB Finansbank mobile application, we began to transmit information via push notification instead of SMS with the aim to improve customer experience and control SMS costs.

For customers who renew their cards, we began to offer preprinted nameless cards they can take from any branch, thus eliminating waiting time and increasing customer satisfaction.

For Contact Center channel, we analyzed reasons of reasons of customers' calls and took actions to help them meet their needs without calling the Contact Center. For Interactive voice response (IVR) channel, with the implementation of Call Steering we eliminated the complexity of contact center navigation with a natural language processing solution that let customers use their own words to describe why they were calling. Call Steering resulted in reduced call durations, increased customer satisfaction and IVR usage rate. For hearing impaired customers, we formed a platform that they could chat and/or make a video talk supported by sign language with Contact Center agents.

With the collaborative work of Customer Service Center, the number of customer complaints has been significantly reduced by taking actions to prevent occurrence of complaints and to resolve complaints at the first contact with the customer.

In 2017, we continued to provide our customers with an easy-to-understand and omni-channel experience, serving more than 120 types of transactions through more than 2,800 ATMs to meet the cash needs of our customers. We were the first bank in Turkey to perform not only money withdrawal but all transactions, by using QR code technology to login at ATMs. Now customers can perform all transactions at our ATMs with their smartphones even if they do not have their cards on them. In order to reduce the use of paper and meet the receipt needs of our customers in our ATMs, we launched our e-receipt project and started to send transaction receipts by SMS or e-mail and saved 50% on paper receipts. We increased customer satisfaction by introducing DCC (Dynamic Currency Conversion), which allows international customers to withdraw money in local currency but pay the exact amount in home currency that is seen on the ATM screen to foreign customers, and instalment commercial credit for our corporate customers. Cardless customers were enabled to withdraw money by their mobile phones and a reference number. Our visually impaired customers could use our ATMs with a headset, and voice guidance helped them navigate through ATM menus and transactions. We also made branch and ATM conversions so that our orthopedically disabled customers can easily access our ATMs and branches.

Business analyses aimed at increasing efficiency and customer satisfaction in operations processes were conducted, and several improvement areas were addressed via IT projects in 2017. The information and document flow between the newly-centralized branch operations and the central operations was the main focus of those analyses. Significant amount of workload has been reduced through simplification and elimination of controls carried over the processes.

Standard times for major processes of both the branch and the central operations are measured via time study methods, and staff workload reports are prepared on a daily basis at the Bank. The maintenance of this system as well as the monitoring of total workload is carried out within Business Development and Strategy Office. After successfully including all the major central operation units in the workload monitoring system in 2017, operational workload can now be tracked and reported on a daily basis at QNB Finansbank. Thus, the periodic behavior of the workload of the central operation teams has become observable and an important step has been taken towards balancing the workload of all units.

Business process analyses aimed at increasing efficiency and effectiveness in other departments as well as the operation processes of subsidiaries have also been conducted and several improvement areas have been addressed via those projects.

Credits

Credits Department aims to manage the quality of the loan portfolio by expert teams in compliance with credit policies set by the Bank, while increasing credit assessment quality in every stage of the loan process via developed models, systems and designed workflows.

Experienced teams are responsible for carrying out lending work cycle operations in all stages from loan application and underwriting to close monitoring and legal proceedings. This structure is also supported by our strong analytical and portfolio management organization.

In line with the Bank's principle of decentralization in management, loan underwriting and monitoring activities are carried out by the Head Office and 12 credit regions in close cooperation with the field staff. Written credit policies, credit directives and procedures enable the Bank to perform effective risk management and preserve all loan records in the Bank's corporate organizational memory.

Retail Loans (Consumer and Small Business Segments)

Loan policies and strategies are determined according to analytically- driven and rational methods. Loan evaluation and intelligence processes are designed using high technology in a highly automated manner to ensure efficiency and customer satisfaction. To reach targeted quality in the portfolio, efficient portfolio management is performed using application and behavioral scorecards with high filtering capability.

The Bank aims to provide appropriate limits to right customers as quickly as possible using data obtained from the Credit Bureau, the Risk Center integrated in the Bank's Retail Credit Assessment System and other public authorities.

Collection processes are managed quickly and efficiently with different strategies and sources (internal- external agent calls, sending letters, IVN, SMS, etc.) used for different customer segments. Experienced law firms located countrywide follow collection of loans transferred to prosecution. On the other hand, central collection teams are involved in collection process. Collection performance is monitored by using analytical methods.

Corporate Credit

Corporate Credit management is carried out in line with the segment division (Corporate, Large Commercial, Commercial, Mid-Sized Enterprises, Project/Syndication, Real Estate Project Financing) by underwriting, monitoring, and legal prosecution teams who are experts in their respective fields.

In order to support credit assessment processes, an internal rating model developed in-house for medium size enterprises and Moody's rating model for corporate and commercial enterprises, differentiated for five sectors are used.

All customers in corporate segments are monitored closely through central information sources such as the Risk Center and the Credit Bureau, early warning systems, and behavioral scoring models. All early warning signals are evaluated on time and necessary actions are taken accordingly. The credit decision framework containing up-to-date customer financials supports underwriting and monitoring functions in a proper manner.

Teams specialized in their respective fields evaluate project financing and syndication credit proposals. They determine specific requirements for each project, develop the most appropriate financing model and monitor these projects. In this manner, QNB Finansbank has taken part in many projects realized in our country.

Treasury

Liquidity Management

Liquidity Management Desk is responsible for managing the liquidity of the Bank while carrying out the responsibilities of the Bank vis-a-vis its customers, the CBRT and the BRSA. The desk aims to maintain the optimal liquidity composition in line with balance sheet evolution, growth expectations and business strategies. The Desk fulfills the reserve requirement obligation and monitors the liquidity ratios enforced by the BRSA. The desk performs transactions in Money, Swap and Repo markets and is actively involved in deposit pricing processes.

Asset and Liability Management

Asset and Liability Management Desk manages the risks of the Bank's balance sheet and executes funds transfer pricing. The Desk monitors balance sheet items that have the potential of risk exposure, evaluates various developments in terms of risks, and executes the Bank's risk management strategy determined by the Asset and Liability Committee. The Desk uses hedging instruments such as interest rate swaps and cross-currency swaps for the purpose of risk aversion.

FX and Fixed Income

FX and Fixed Income Markets Division carries out fixed income securities, foreign exchange and derivatives transactions. Trading limits, limit utilization and profitability are closely monitored. FX and Fixed Income Markets Division successfully managed the volatility in the markets in 2017 by analyzing market risks and took actions that profited the Bank.

Treasury Sales

The Treasury Sales Desk, with its customized approach to customers' diverse requirements, targets continuous increase in customer base and deal volume, while contributing to QNB Finansbank's leading position in capital markets. The Treasury Sales Desk provides its customers with innovative derivative products as opposed to conventional products, ranging from risk management ideas to investment products including capital protected investment alternatives.

International Banking

Structured Funding

Structured Funding Division continued to expand its funding opportunities in 2017 taking strength from on its parent's credibility and USD 1.7 billion financing was obtained from the international markets.

QNB Finansbank continued to support the micro and small enterprises and women entrepreneurs this year, as in the past, with facilities received from the European Investment Bank (EIB), Finance in Motion (EFSE) and the European Bank for Reconstruction and Development (EBRD). QNB Finansbank through sponsorships supported projects with the potential of adding value, creating employment and motivating entrepreneurship. EFSE became the main sponsor of the "Future Bosses" project for the fourth time in a row in 2017.

In 2017, the Bank obtained USD 200 million funding for a term of 3 years from JP Morgan based on our portfolio of project finance loans. In May QNB Finansbank issued USD 750 million Eurobond with a tenor of 5 years. The issuance, received 6 times more appetite than the original issuance size of USD 500 million. This was the largest amount senior unsecured raised ever by the Bank. It was also the tightest priced Eurobond issued by the Turkish banks in 2017 with its 4.96% coupon.

In the last week of 2017, USD 150 million funding from Credit Suisse and EUR 350 million from Deutsche Bank were obtained under the DPR Securitization Programme of the Bank with a maturity of February 2028 .

Correspondent Banking

Correspondent Banking Division continued to improve the Bank's position regarding foreign trade operations, funding, international payments and treasury operations, by maintaining its wide network of correspondent banks.

In November 2017, QNB Finansbank secured a syndicated loan from 33 international banks which will be used to finance the foreign trade transactions of clients and has an all-in cost of Eurobor plus 1.25% for the EURO Tranche and Libor plus 1.35% for the USD Tranche with 367 days tenor. The facility has an amount of USD 182 million and EUR 503.2 million which attained 135% roll over ratio.

The Bank continued to support foreign trade with post financings obtained at a total volume of USD 2.2 billion in 2017.

Financial Institutions Credit Management Division

In 2017, Financial Institutions Credit Management Division has continued to assess the risks of all domestic and international banks and to allocate limits in line with the Bank's credit and risk policies. The Division has allocated limits also in compliance with the Bank's internal rating system while making sure that limits were in proper ratio with the registered capital ceilings.

Investor Relations

Investor Relations Division, established for the purposes of overseeing the rights of shareholders and ensuring effective communication between the Board of Directors and shareholders, attended 7 investor conferences representing the Bank and participated in meetings with 128 international investors, rating agencies and analysts in 2017. The Annual Report for the year and quarterly presentations based on financial results of the bank were prepared and uploaded on the Investor Relations website. During the year all investor inquiries were answered within the scope of the relevant legislation.

Human Resources

Human Resources Policies

QNB Finansbank, aware of the fact that the most valuable asset is its human resources, has designed its human resources policy to increase the Bank's performance and achieve sustainable development through the recruitment, training and retention of new talents in the Bank. Within this scope, Human Resources policy is summed up in four main fields.

• Human Resources Planning and Recruitment: Carrying out the management of the brand as an employer and management of labor force in parallel with the needs of the Bank, and supporting the recruitment process through analysis and business development projects, with the purpose of being an employer of choice and attracting skilled workforce,

• Performance Management: Adapting perceptible and measurable criteria and creating engaged employee climate with a fair and transparent system for assessment of success in order to increase Bank's performance in line with individual employee performances ,

• Talent and Development Management: Improving employee's technical and managerial knowledge and skills, retaining employees with high performance and potential and contributing to the development of all employees,

• Engagement and Rewarding: Developing policies for increased employee engagement and thus increasing their involvement in the Bank's target achievement efforts.

Relevantly, QNB Finansbank Human Resource practices concentrate on the following subjects:

Employer Brand Management and Recruitment

In QNB Finansbank, where 93% of employees are from Y generation, analyses are performed on career choices of college students; additionally, university and social media activities are held in accordance with relevant results.

In addition to Finans Up Career Club, young people are encouraged to realize their dreams through Finans Career, Finans Pro, Audit Pro and Finans 101 brands. Projects are carried out for raising awareness of college students in their career path with Finans Career, opportunities of internship are offered for the students who want to gain experience in branch management with Finans 101 and in Head Office with Finans Pro; and opportunities of employment are also provided to the students who want to start their career path in audit field with Audit Pro.

Contribution of talent acquisition activities to the brand image is measured through the Most Favorite Companies research carried out by Realta Company. While QNB Finansbank was ranked 8th in 2009 with a 4.8% preferability ratio among the banks; it was ranked 1st with a ratio of 16.6% among the banks and 11th among all companies in 2016.

Performance Management

QNB Finansbank performance management process is a management tool that encourages development with a continuous feedback culture and aims at guiding Financiers for high and sustainable performance and so they develop themselves personally along with increasing corporate performance. With the semi-annual performance measurement;

• The employees with potential who can and/or might contribute in attaining targets of the Bank, who create difference with his/her performance and affecting the performance of the Bank, are determined.

• Targets of business lines and divisions determined in line with the Bank's targets create technical performance results for each employee; while the assessment carried out in order to determine employees' development needs make up the development performance results.

• Strengths and areas of development are assessed on individual basis specific to each employee with customized performance model applied for all Financiers. Individual development needs concerning these areas are determined.

• A road map is created with the purpose of determining and following up the actions pertaining to development points. Results are shared with the Financiers. Individual performance is evaluated with concrete and measurable criteria in order to increase employee engagement through a fair and transparent system.

• QNB Finansbank became the first non-resident institution in US to be eligible for "Honorable Mention" in HRM Impact Awards organized by Society for Human Resource Management, in 2016 with its "individualized performance management process" applied for individual development and career journey of Financiers and for supporting the improvement in the Bank's performance.

Employee Engagement

The employee engagement survey exclusive for QNB Finansbank has been conducted every year since 2007 with the purpose of evaluating effects of the satisfaction factors shaping employee engagement. Survey results are examined on the basis of divisions; relevant analyses are made and actions are exclusively identified for each division with the participation of upper management.

Career and Talent Management

Aiming at training managers internally and enabling each Financer to lead his/her own career path, QNB Finansbank provides its employees this opportunity through "Career Architecture" and "Career Bulletin", and performs one-to-one interviews concerning career objectives of employees through "Career Consulting". Within the scope of "Development Architecture", which aims selecting Branch Managers from within the organization, measurement-evaluation center implementation and personal development programs are applied.

"360 Degrees Feedback and Development Inventory" is used in order to increase personal awareness of the employees and determining their development needs by focusing on their strengths and development areas.

Various development means such as training programs, coaching and mentorship programs, MBA programs, and domestic/international conferences are also provided within scope of "Finans Master", in order to enrich leadership skills and administrative abilities of the current leaders and employees with potential for leader roles in the future.

Training and Development Management

QNB Finansbank involves Financiers in a development process throughout their career journey from their first day. Financiers who are currently employed or reassigned attend certificate programs integrated with career management and performance management systems. Project training programs, which are determined in line with the Bank's strategies, are designed exclusively for segments to increase Financiers' performance and contribution to business results.

80% of all Financiers and 25% of managers are members of Generation Y. As generation Y has begun to be part of management grades, Financiers have been supported with many training programs in 2017, to enable their adaptation to the changing management methods, carry out preliminary work for Generation Z yet to join business life and follow up the change surrounding us.

Financiers may also take advantage of Development Catalog integrated with performance system, project trainings exclusive for business lines, domestic/international training sessions and various development tools such as e-training, articles, videos, book summaries through the training portal Finarmoni. Financiers determine development tools suitable for their needs and can reach the tools any time they want through any device. In addition to technical and competency development, training sessions that touch personal lives of Financiers are also provided through these means in a customized and simple structure.

Average period of trainings per employee provided during the year of 2017 was 7.7 days, whereas the ratio of attendance was 93%.

Remuneration Management

Objective of remuneration management in QNB Finansbank is to gain new talents and increase employee engagement, satisfaction, motivation and synergy. Accordingly, a fair and transparent remuneration methodology, compliant to the Bank's ethical values and internal balances, is implemented. Individual and integrated target-performance based rewarding on value added without taking excessive risk is encouraged. Thus, strategic targets of the Bank are supported and productivity is enhanced. Within the scope of the Bank's premium and bonus models, in 2017 the Bank paid approximately 2 months' salary on the average per employee on the basis of performance. Employees have many benefits in various fields such as health, leave of absence, transportation, meal, communication and technological opportunities, aid packages and employee support services.

"+1" appreciation and recognition program, created to appreciate employees who display outstanding behavior in compliance with the values of the Bank was continued to encourage such acts.

Internal Communications Management

In 2017, 31.611 QNB Finansbank employees came together in 362 activities organized in different provinces by Internal Communications Management, which helps Financiers to have balance between their professional and private lives and aims at increasing motivation by contributing to employee engagement and satisfaction as well as making them feel the privilege of being a Financer. In addition to the activities, discount agreements were settled with 253 companies during the year and Financiers were provided with advantages in shopping.

Legal Counseling

Composed of Consultancy, Litigation and Board of Directors Secretariat Departments, the Legal Department, in addition to its main responsibilities which are providing legal/administrative consultancy service, including protective legal advice, to the Head Office units and branches; ii. following up all the litigation files (excluding disputes arising from NPL files); iii. following up Board of Directors, General Assembly and Corporate Governance processes, performed following material activities throughout the year 2017:

Within the scope of Law on Protection of Personal Data numbered 6698; Protection and Processing of Personal Data Policy, Storage and Destruction of Personal Data Policy, Instructions for Protection of Personal Data have been prepared for the Bank and subsidiaries to be effective from 01.01.2018. Training programs have been provided to the Legal, Marketing, Compliance and Internal Control units in order to establish a corporate culture within the scope of such Law and printed materials have been distributed in this regard.

Besides, within the scope of amendments related to the labor law, business units have been informed and rules have been prepared. Guidebook related to the Arbitration Committee for Consumers has been prepared and distributed and related units have been informed on amendments on legislation on consumer rights.

Syndication Loan and DPR (Diversified Payments Rights) securitization agreements have been reviewed, and related legal risks therein have been evaluated. Besides, legal support has been provided in some material project finance transactions in Turkey.

Projects have been carried out on the Law on Pledges over Movable Assets in Commercial Transactions, several procedures and instructions have been revised, and compliance to such legislation has been ensured accordingly. Within the scope of the Regional Delegacy project relevant regional offices and branches were duly visited. In 2017, Legal Department responded to more than 44,000 legal inquiries received via the "Legal Inquiry Application" system, and related cases within the jurisdiction of the department were followed up and the Bank was represented in front of judicial authorities. Leading roles were played by attending meetings and working groups at the Turkish Banks Association. Legal Department contributed to the preparation of Information Security training and gave legal training to the personnel on numerous areas and in particular on the Banking Law, the Code of Obligations, Bankruptcy and Enforcement Law, Labor Law, Law on Competition, Consumer Law and Law on Protection of Personal Data.

Subsidiaries and Affiliates

Cigna Finans Pension and Life (Cigna Finans Emeklilik ve Hayat A.Ş.)

Cigna Finans Pension and Life, a private pension and life insurance company, was established in 2007 as a 99.9% subsidiary of Finansbank with the name Finans Emeklilik ve Hayat A.Ş.

In 2012, Cigna, one of the world's leading health and life insurance companies, entered into a partnership agreement with Finansbank A.Ş. to expand its operations in Turkey and the merger of Cigna and Finans Emeklilik became official.

Cigna Finans, growing stronger through the merger, and with its global experience, wide service network and innovative products and solutions that go beyond insurance, takes the offering of a better quality of life to its customers as a mission.

Cigna Finans achieved 6.4% market share in life insurance through a premium production of TL 399 million and it achieved 9.6% market share among life and pension companies with TL 39.6 million premium production in personal accident insurance, according to data announced by the Insurance Association of Turkey (TSB) in November 2017. As a result, Cigna Finans succeeded to grow by 6.6% in life and personal accident insurance combined.

According to official data announced by the Pension Monitoring Center published on 30.11.2017, funds of pension participants grew by 15.3% compared to end of 2016, reaching TL 640 million in total net asset value.

QNB Finansleasing (Finans Finansal Kiralama A.Ş.)

QNB Finansleasing is one of the first established companies in the sector. Since its establishment in 1990, QNB Finansleasing has been playing an active role in financing investments. As one of the leading companies in the sector it has always followed a customer-oriented strategy and developed tailor-made financing models. Having a widespread branch network in Anatolia enabling it to analyze the needs of SMEs on-site, QNB Finansleasing today operates through a network of 14 branches, 1 being in the Free Trade Zone.

QNB Finansleasing managed to increase its new business volume in 2017 by 45% compared to the previous year by generating USD 757 million and as of year-end its leasing receivables reached TL 4.5 billion. The Company's market share in terms of assets was over 7.4% as of year-end, rising from 5.8% at 2016 year-end.

QNB Finansleasing has spread its increasing business volume on a diverse sectoral spectrum. In 2017 the company has financed investments majorly in renewable energy sector led by solar energy and has carried the share of energy in its leasing portfolio to 10%. Major sectors in the leasing portfolio were construction by 19%, manufacturing by 12% and textile by 11%.

QNB Finansfactoring (Finans Faktoring A.Ş.)

QNB FinansFactoring has been operating since October 2009 through its head office in Istanbul and 22 branches all over Turkey.

QNB FinansFactoring, where QNB Finansbank is the 100% shareholder, aims to grow together with its customers as their most preferred solution provider in every financial plan and to be among the top ten companies in the sector.

At the end of 2017, the Company's turnover reached TL 3.4 billion and factoring receivables amounted to TL 1.4 billion with an annual growth rate of 84%. In line with the strategy of focus, the share of small and medium-sized companies in the portfolio increased in 2017 and the number of customers reached 2.098 while the volume of international factoring was up by 59%.

QNB FinansInvest (Finans Yatırım Menkul Değerler A.Ş.)

QNB FinansInvest was established in 1996 and its current paid-up capital is TL 50 million. Its main shareholder is QNB Finansbank, which owns 99.8% of the shares.

Through its 14 off-center branch offices and QNB Finansbank branches, QNB FinansInvest offers services such as equity trading, portfolio management, corporate finance, margin trading, short selling, share loans, investment consultancy, derivative trading, leveraged trading and international investments, collective and individual custody services, mutual fund services, Takasbank fund platform services and risk management services. Furthermore, QNB FinansInvest customers can perform all of their brokerage operations over internet through www.qnbfi.com in a fast and secure manner.

As of 2017, QNB FinansInvest is ranked 8th among the brokerage houses in Turkey in terms of equity transaction volume, with a market share of 4.5%.

QNB Finans Asset Management (Finans Portföy Yönetimi A.Ş.)

QNB Finans Asset Management was founded in September 2000 with FinansInvest being its main shareholder (99.96%). Under the new legislation and compliant to the permission dated 17.04.2015 of the Capital Markets Board, QNB Finans Asset Management was re-established as a fund management company.

In 2017, QNB Finans Asset Management played a leading role in the sector by managing 7 Exchange Traded Funds (ETF), 7 Mutual Funds, 11 Pension Funds and private portfolios of high- income individuals and companies. It held 84% of the ETF market in 2017.

QNB Finans Asset Management has a paid-in capital of TL 5 million. As of year-end 2017 the Company had a market share of 0.9% with TL 1.5 billion assets under management.

eFinans (eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.)

eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. (eFinans) whose majority shares are owned by QNB Finansbank, was established on 10.09.2013 to provide e-Transformation products and relevant value added services. eFinans has shown a profoundly successful performance and declared an operating profit at the end of its first fiscal year.

Since its establishment eFinans has been providing services with five main products, namely,e-Invoice, e-Ledger, e-Archive, Registered Electronic Mail (REM) and finally e-Waybill. eFinans, with its expanding operations, provides services to over 7 thousand customers with more than 10 thousand products including e-Invoice, e-Ledger, e-Archive and REM.

In addition to being the first Turkish member of the European E-Invoicing Service Providers Association (EESPA), eFinans has signed an agreement with Basware, one of the leading e-Invoice and financial service providers in Europe for e-Invoice projects and foreign trade operations in Turkey.

eFinans competes with other service providers that are ERP dependent with its ERP independent structure and original connection software programs integrated with eFinans web service applications developed by over 160 different ERPs. The company has become the brand of choice for taxpayers with its value added services provided in partnership with QNB Finansbank.

As a result of integration of eFinans services to the infrastructure, the first e-Credit based on the disposition of e-Invoices in Turkey has been provided by QNB Finansbank. e-Invoice guaranteed loan structure represents a first in global e-Invoice finance operations.

With Finans Yıldızı, cloud-based application of QNB Finansbank, DDS (Direct Debiting System) transactions as well as all payment transactions of taxpayers can be integrated with eFinans infrastructure, and the Bank provides unlimited cash management options to its customers.

Hemenal Finansman A.Ş.

Hemenal Finansman A.Ş. was established in 2008 for consumer finance transactions as a 100% QNB Finansbank subsidiary under the name of Finans Tüketici Finansmanı A.Ş. In 2012 its shares were transferred to Banque PSA Finance, the bank of French automotive group PSA, and upon becoming a financing company in the auto sector its title was changed to PSA Finansman A.Ş. On December 14, 2015, 99.99% of the company which had a paid-up capital of TL 20 million, was transferred to QNB Finansbank. Title of the company was changed to Hemenal Finansman A.Ş. in April 2016. IT structure has been completed in June 2016 with pilot sales and the company is fully operative since October 2016.

Having experienced and specialized team members, a competitive and flexible IT structure, and QNB Finansbank's know-how, Hemenal aims to be the leader in consumer loans. The company started to acquire reputable partners to build a retailer network especially in education, white and brown goods, furniture and electronics sectors. Hemenal reached 2,620 outlets by the end of 2017 and its assets reached TL 107 million backed by TL 96 million loans.

Hemenal was selected as one of the two exclusive providers of consumer finance services by Türk Telekom after a very diligent tender and selection process. Turk Telekom has approximately 1,000 distributers and sells 120,000 mobile-phones on a monthly basis. Hemenal expects monthly TL 90 million loan booking through this partnership. IT integration has reached the final level, and contracts are expected to be signed while initial underwriting should start in first quarter of 2018.

IBTech

IBTech was established in 2005 and is located in İstanbul. IBTech's focus is to provide software design and enhancement, such as Core Banking (Core Finans), credit cards and internet banking, and to develop applications for the use of the Group. As of December 31, 2017, the total assets of IBTech reached TL 43.2 million and net loss was TL 2.8 million.

Bantaş

Bantaş was established in 2009. It is owned by QNB Finansbank A.Ş., Denizbank A.Ş. and Türk Ekonomi Bankası A.Ş., each holding 33.33%. Bantaş securely carries assets between branches and cash centers and gives ATM cash support. As of December 31, 2017, Company's total assets were TL 63.3 million and net profit was TL 11.3 million.

Corporate Governance, Risk Management and Financial Information

Corporate Governance Principles Compliance Report

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

a) As detailed below and throughout the Report, QNB Finansbank has complied with the imperative principles of the Corporate Governance Principles numbered 1.3.1 – 1.3.5 – 1.3.6 – 1.3.9 – 4.2.6 – 4.3.1 – 4.3.2 – 4.3.3 – 4.3.5 – 4.3.6 – 4.3.7* - 4.3.8* - 4.5.1** - 4.5.2 – 4.5.3 – 4.5.4*** -4.5.10 – 4.5.11**** 4.6.2 and 4.6.3 set out in of the Corporate Governance Communiqué No. II - 17.1, published by the Capital Markets Board (CMB), throughout the financial reporting year of 01.01.2017-31.12.2017.

Principles numbered 4.5.9 – 4.5.12 and 4.5.13 are not applied to banks as per the Principle numbered 4.5.1.

Principle 4.3.4 is an exemption for banks within the scope of Article 6 of the Corporate Governance Communiqué.

b) QNB Finansbank does not implement principles no. 1.5.2 – 1.7.1 - 2.1.2 – 2.1.3 – 2.2.2 (Most of the information herein is stated in the annual report.) – 3.1 – 3.2 - 4.3.9 – 4.5.5 which are advisory principles. However, the Bank has set up a Corporate Governance Committee responsible for monitoring whether the Corporate Governance

Principles are complied with, describing the problems that may arise due to noncompliance and offering corrective actions to the Board of Directors. The Committee consists of Ramzi T.A. Mari, Sinan Şahinbaş, Ali Teoman Kerman, Osman Reha Yolalan and *****Nazlı Çelem. During meetings held in 2017, work was done for improvement of the corporate governance practices in the Bank. The Corporate Governance Committee shall consider the said principles in its activities in 2018 and work towards the improvement of corporate governance practices. The Committee also coordinates the operations of the Investor Relations Division.

*Article three of the Principle numbered 4.37 and Article two of the Principle 4.3.8 shall not be implemented by banks, accordingly such Articles are not implemented.

**Article 4.5.1 includes exceptions for banks with regard to committees.

***The general manager should be appointed to the Credit Committee within the scope banking legislation, this Article is implemented with this exception.

****Corporate Governance Committee is responsible for this Article within the scope of organizational structure of the Bank

*****appointed as Member of the Corporate Governance Committee on 06.07.2017.

PART II - SHAREHOLDERS

2.1. Investor Relations Division

QNB Finansbank established Investor Relations Division in 2005, for the purposes of overseeing the rights of shareholders and ensuring effective communication between the Board of Directors and shareholders. Activities of Investor Relations Division are carried out in line with the Corporate Governance Communique Part 4 Article 11, dated 03.01.2014 and published by the Capital Markets Board. Investor Relations Division is managed by Ms. Nazlı Çelem and supervised by Corporate Governance Committee. Ms. Nazlı Çelem holds Capital Markets Activities Level 3 License, Derivatives License and Corporate Governance Rating License and appointed as Corporate Governance Committee Member as disclosed in the Public Disclosure Platform on 06.07.2017.

In 2017, all telephone and e-mail inquiries were answered within the scope of the relevant legislation. During the year representing the Bank, Investor Relations attended 7 investor conferences and participated in meetings with 128 international investors, rating agencies and analysts. Each quarter presentations based on financial results of the bank were prepared and uploaded on the Investor Relations website.

2.2 Shareholders' Right to Access Information

Within the scope of the Informational Policy of QNB Finansbank as approved at the General Assembly on March 27, 2014, all information in relation to shareholders' rights, such as capital increases, are sent to Borsa İstanbul (İstanbul Stock Exchange) and published in print and on the Public Disclosure Platform (www.kap.gov.tr) in Material Event Disclosure format. Shareholders are informed through emails, meetings and telephone calls, and through the Bank's website, regarding material financial and/or operational information that may affect the exercise of the rights of shareholders.

Appointment of a special auditor is not regulated by the Articles of Association of the Bank. The Bank is audited both by the auditors appointed by the Bank's General Assembly and by the Banking Regulation and Supervision Agency ("BRSA") in accordance with the Banking Law.

2.3 General Assemblies

The Annual General Assembly was held on March 30, 2017 at the Head Office located at Esentepe Mahallesi, Büyükdere Caddesi Kristal Kule Binası No: 215 Şişli/ İstanbul with a meeting quorum of 99.8%. The Board of Directors invitation for the Assembly was published in the Turkish Trade Registry Gazette and two daily newspapers, namely, Güneş and Takvim. Shareholders were duly provided with the date, agenda and information form regarding the agenda of the Meeting through the website of the Bank, the Public Disclosure Platform as well as the electronic General Assembly System. Within the scope of Internal Directive Regarding Working Principles and Methods of the Bank; the meeting place may be entered by the shareholders registered on the list of those who are present prepared by the Board of Directors or their representatives, Members of the Board of Directors, the auditor, representative of the Ministry and those who will be elected or assigned for the meeting chairmanship. Besides, other directors of the Company, the employees, guests, technicians assigned for audio - vision reception may also enter the meeting place unless decided otherwise by the Meeting Chairmanship. Our Board members, the General Manager of the Bank and other employees and also technicians assigned for audio - vision reception attended the General Assembly, no one from media attended. At the Annual General Assembly held in 2107, none of the shareholders has been proposed any items to be included to the agenda. None of the shareholders has been requested any information, besides one of our shareholders, Mr. Ali Bahçuvan, stated that shareholders and investors were glad that QNB Group has been purchased the shares of the Bank and, having advantage of QNB's international experience, providing consultancy service to construction sector could be evaluated by the Management since it would be beneficial for Turkish construction sector to be more active in Qatar and the Middle East. The Chairman, Mr. Omer Aras noted that such proposal would be evaluated. The minutes of the Annual General Assembly is presented to our shareholders' review in our website and Public Disclosure Platform.

In the 2017 General Assembly no transactions requiring the affirmative votes of the majority of the independent members of the Board for a Board resolution, were on the agenda.

In the 2017 General Assembly, within the scope of item 10 shareholders were provided information regarding the total amount of donations made in 2017.

In addition, pursuant to Art. 1.3.6 of the Corporate Governance Communiqué No. II - 17.1, information was provided regarding transactions conducted in 2017. The General Assembly was informed that other than transactions conducted in 2017 within the limits allowed by the Banking Law and relevant legislation, no significant transactions of the nature to cause a conflict of interest with the Bank or its affiliated companies were carried out by shareholders in charge of management, members of the Board, members of upper management, and their spouses and kind of second degree by blood and marriage; that they did not conduct, in their own account or on behalf of third parties, any transactions of the type falling under the field of operation of the Bank or its affiliated companies; and that they did not join as a partner with unlimited liability another company carrying out similar commercial transactions.

2.4 Voting Rights and Minority Rights

No voting privilege is granted and no cumulative voting procedure is adopted by the Bank's Articles of Association. Minority rights is not determined as less than %5 (1/20) of the share capital by the Articles of Association.

2.5. Dividend Distribution Policy

Dividend distribution policy of the Bank is approved in the General Assembly dated 27.03.2014. The dividend is calculated under the provisions of the applicable regulations and provisions of the Bank's Articles of Association and determination and distribution of the annual profit are regulated by Article 25 and 26 of the Articles of Association of the Bank; there is no restriction on participation to the annual profit. Besides, distribution of the profit is included to the agenda of the General Assembly separately. The first dividend to the shareholders in the amount of TL 157.500 million is added to the paid in capital of the Bank as per the resolution of the General Assembly dated 30th March 2017.

2.6. Transfer of Shares

QNB Finansbank's Articles of Association do not restrict shareholders from transferring their shares. However, share transfer is subject to BRSA approval pursuant to the relevant provisions of the Banking Law.

PART III - DISCLOSURE AND TRANSPARENCY

3.1 Corporate Web Site and Its Content

QNB Finansbank's corporate web page, www.qnbfinansbank.com, contains information, both in Turkish and English, on the Bank's current shareholder and management structure; Articles of Association; annual reports; periodical financial statements and reports; material events regarding the Bank; agendas, minutes and list of attendees of General Assembly Meetings; a sample power of attorney letter; and inquiries and answers provided under the FAQ section.

3.2 Annual Report

The Bank's Annual Report, prepared in accordance with relevant regulations, includes issues on corporate governance principles. The details are given in the "Corporate Governance Principles Compliance Report" section of the Annual Report.

PART IV - STAKEHOLDERS

4.1 Informing Stakeholders

Bank employees are informed about the Bank's operations when deemed necessary via internal communications tools. In addition, managers at the Headquarters and branches are informed about developments via regularly held meetings. The tip-off hotline, set up for informing regarding transactions contrary to the Bank's procedures and instructions, and that are against legislation and improper ethically, is open to access by stakeholders through a number of channels.

4.2 Participation of Stakeholders in Management

The Bank does not have a model to ensure stakeholders' involvement in management.

4.3 Human Resources Policy

QNB Finansbank recognizes that the most valuable capital is human resources. With this in mind, the Bank's Human Resources Policy, directed towards increasing the Bank's performance, is based on attracting, developing and retaining new talent, and hence realizing sustainable development of the Bank's human resources. The Bank's Human Resources Policy has four components:

Human Resources Planning and Recruitment: Attracting talented employees to the Bank and placing them in the most suitable positions in line with Bank's staffing requirements.

Performance Management: Managing staff performance by harmonizing goals of employees with the goals of the Bank.

Talent and Development Management: Developing the technical and managerial skills of employees, retaining promising employees in the Bank and focusing on their development.

Loyalty and Rewards: Developing policies for increasing employee loyalty to the Bank and increasing their involvement in Bank's growth.

QNB Finansbank's number of personnel reached 12,007 by the end of 2017. The number of employees including those at subsidiaries and affiliates is 13,855.

Performance management in QNB Finansbank encourages career development with a continuous feedback culture, and establishes long-term talent strategies in order to support employee potential.

Performance evaluation is made biannually. Through the evaluation, probable potential with a differential performance influencing the performance of the Bank and contributing and/or will contribute to the Bank reaching its targets, is determined.

Technical performance results for each individual employee come about as a result of targets of the Bank as well as the resultant targets for business lines and departments. Developmental performance results are obtained as a result of evaluations carried out for figuring out developmental requirements of employees.

Within the personalized performance model designed for all QNB Finansbank employees strong points and areas for development are evaluated individually. Individual developmental needs are thus determined.

Points of improvement are defined and actions are determined and a road map is defined for monitoring.

Results are shared with the employees transparently. Performance evaluation process aims to foster loyalty through a fair and transparent system which assesses the performance of the personnel on concrete and measurable criteria.

Besides responsibilities and job descriptions of the employees are designed in written and announced.

The purpose of remuneration management in QNB Finansbank is to gain new talents and increase employee loyalty, satisfaction, motivation and synergy. Accordingly, a fair and transparent pricing methodology that is in compliance with the bank's ethical values and internal regulations is implemented. Moreover, incentive programs that are focused on individual and institutional targets without taking excessive risk are created and are encouraged. Remuneration and Compensation Policy and related performance criteria are announced to employees. In 2017, the bank's personnel received a cash bonus of 2 salaries per employee as part of the premium and bonus schemes. Various benefits that improve living standards and increase productivity of the employees, such as health insurance, annual leave, transportation, food, telecommunication aid and other employee support services are provided with consideration of market conditions.

Remuneration Management has continued to function within the scope of the Remuneration Committee, established in 2013, in compliance with the regulation of the Banking Regulation and Supervision Agency on Corporate Management Principles of Banks.

Ombudsman's office has been established in order to increase the quality of business and lift obstacles in the way of productivity by swift, effective and fair resolution of possible disputes between the corporation and employees, or between employees and managers and the Division Manager responsible for Human Resources Strategic Planning, Recruitment and Career Management has been appointed as the Ombudsman.

All employees contact the Ombudsman regarding in-office discrimination, mobbing, harassment, practices contrary to corporate policies and unresolved disputes via e-mail or phone.

The primary target of the Ombudsman is for the sides to reach a mutual agreement. In cases where parties fail to reach an amicable solution or an agreement the Ombudsman assesses the current situation and notifies relevant Vice Presidents. One copy of the assessment report is presented to the Office of Vice President responsible for HR and another to the General Manager. Requests need to be processed and the relevant parties notified in one week.

Any illegal transactions, matters of abuse and others falling within the coverage of a Disciplinary Board ruling or that need to be examined by the Board of Inspection, shall be forwarded to the Board of Inspection by the Ombudsman for assessment of information received.

No discrimination complaints from the Bank's employees were received.

4.4 Social Responsibility and Code of Ethics

QNB Finansbank, in both professional and personal life, believes in the importance of securing the future of a healthy and sound environment. The concept of sustainable banking is applied in every environmental, economic and social policy/process of the Bank. The Bank's business strategy and decision-making mechanism supports its goal to leave a livable world for future generations. With every transaction and funding decision, the Bank strives to promote a sustainable development mindset.

To this end, the Bank has set up a Social Responsibility Committee. In parallel with the research and studies of this Committee, the Internal Audit and Compliance Department carries out activities in terms of compliance with national and international legislation. The Bank has also established a Social and Environmental Management System (SEMS) policy.

"Minik Eller Büyük Hayaller" developmental platform, which underlines our diligence and our focus on children, was created by joining small hands with big dreams that will be the starting point of their creative powers that will shape the future. The child-focused developmental platform was designed as a result of the invaluable contributions by more than 12 thousand employees throughout the country. Consequently, they, their families and their children have become social stakeholders, project partners and goodwill ambassadors in the "Minik Eller Büyük Hayaller" platform. Within the "Minik Eller Büyük Hayaller" social responsibility platform established in 2015, We have reached out to more than 320 thousand children in 44 cities via more than 1200 voluntary QNB Finansbank employees in 8 different projects, with the aim of helping bring up innovative leaders of tomorrow. QNB Finansbank has adopted a code of ethics as specified under the Banking Law.

QNB Finansbank Employee Code of Conduct and QNB Finansbank Code of Ethics for Financial Professionals have been approved by Board of Directors and communicated to Bank personnel as a booklet and online.

PART V- BOARD OF DIRECTORS

5.1 Structure and Formation of the Board of Directors

As of 31.12.2017 the structure of QNB Finansbank's Board of Directors (members are written in alphabetic order) is as follows:

Dr. Ömer A. Aras, Chairman
Sinan Şahinbaş, Vice Chairman
Abdulla Mubarak Al-Khalifa,
Board Member

Ali Rashid Al-Mohannadi,
Board Member

Ali Teoman Kerman,
Board Member and Chairman of Audit Committee

Durmuş Ali Kuzu,
Board Member

Fatma A. Al-Suwaidi,
Board Member

***Noor Mohd Al-Naimi,**
Board Member

Osman Reha Yolalan,
Board Member

Ramzi T. A. Mari,
Board Member

Temel Güzeloğlu,
Board Member and General Manager

*Has been appointed to replace Grant Eric Lowen who resigned on 22.06.2017

In the General Assembly Meeting on 16.06.2016, it was decided that Osman Reha Yolalan shall be appointed as the independent member of the Board, and the members of the Audit Committee shall also be designated as the independent Board Members in compliance with the relevant provisions of Corporate Governance Communiqué (II – 17.1) published by the Capital Markets Board. Osman Reha Yolalan who has elected as independent Board member has presented the independency declaration within the scope of Principle 4.3.6 of the Communiqué on Corporate Governance.

There is no condition occurred which revokes the independent members independency.

Resumés of the Members of the Board are presented in the annual report.

It is acknowledged that, within the restrictions stated in the Banking Law, members of the Board may also hold professional positions outside the Bank provided that no such position prevents them from fulfilling their respective responsibilities in the Bank and does not cause any conflict of interest.

5.2 Principles Related to the Activities of the Board of Directors

QNB Finansbank Board of Directors held 7 meetings in 2017, in compliance with relevant laws and the Bank's Articles of Association, with the attendance of all members except when prevented due to reasonable excuses. Moreover, apart from these meetings, the Board has negotiated and decided on various matters.

Board Members are provided with documents that include the agenda for each meeting, prior to the meeting. No dissenting opinion was voiced during the Board meetings.

The agenda of each Board meeting is determined on the basis of proposals by Board Members and the General Management. The Board of Directors has a secretariat in charge of informing and communicating with Board members and ensuring compliance of meetings and resolutions with applicable laws and regulations.

No Board member has preferential voting rights. The loss that may be incurred as a results of Board members' actions has been insured by Directors and Officers Liability Insurance Policy.

5.3 Number, Structure and Independence of Committees under the Board of Directors

Five committees serve under the authority of the Board of Directors, which are Corporate Governance Committee, Audit Committee, Risk Management Committee, Credit Committee and Remuneration Committee.

As of 31.12.2017, the members of the Audit Committee are A. Teoman Kerman (Chairman), Durmuş Ali Kuzu, Ramzi T.A. Mari and. Noor Moh Al-Naimi

The members of the Risk Management Committee are Dr. Ömer A. Aras, Sinan Şahinbaş, Ali Rashid Al- Mohannadi, A. Teoman Kerman and Fatma A. Al- Suwaidi

The members of the Credit Committee are Dr. Ömer A. Aras, Sinan Şahinbaş, Fatma A. Al-Suwaidi, Abdulla Mubarak N. Alkhalifa and Temel Güzeloğlu.

The members of the Corporate Governance Committee are Ramzi T.A. Mari (Chairman), Sinan Şahinbaş, A. Teoman Kerman, Osman Reha Yolalan ve Nazlı Çelem.

The members of the Remuneration Committee are Sinan Şahinbaş and Ali Rashid Al- Mohannadi.

The Credit Committee meets when necessary, the Risk Management Committee meets monthly, the Audit Committee meets on a three-month basis at least four times, the Corporate Governance Committee meets at least four times a year and the Remuneration Committee meets at least three times a year. The Board members are appointed to the committees which are legally necessary and besides, due to number of Board members, they can be appointed to more than one committees as member within the scope related legislation.

5.4 Risk Management and Internal Control

In accordance with Banking Law no. 5411 and the Regulation on Internal Control Systems in Banks, the Bank's Board of Directors set up an Audit Committee, the current members of which are member of the Board, and Chairman Teoman Kerman, member of the Board Durmuş Ali Kuzu, member of the Board Ramzi T.A. Mari, and member of the Board Fatma A. Al- Suwaidi. Internal Audit and Compliance Department and the Internal Control Directorate and Risk Management Department report to the Audit Committee. Risk Management Department was set up at the end of 2001 as an entity independent from all other executive departments. The Risk Management Department is responsible for measuring possible banking risks, formulating risk management policies, and ensuring that the Bank is run in a manner so that the risks taken remain within the limits of the risks the Bank may wish to take in line with its strategic goals. The Bank aims to conform its Risk Management operations to Basel III standards and applicable legal requirements in force in Turkey. Risk Management Department reports to the Board of Directors via Head of Internal Systems and the Audit Committee. Dr. Ömer A. Aras, Sinan Şahinbaş, A. Teoman Kerman, Fatma A. Al-Suwaidi and Ali Rashid Al-Mohannadi are members of the Committee.

Reporting to the Head of Internal Systems and the Audit Committee, the Internal Control and Compliance Department performed control activities for minimizing the Bank's exposure to operational, regulatory and financial risks.

5.5 Strategic Goals Vision

To help build individual and commercial financial plans that will catalyze Turkey's success.

Mission

To forge a lifelong partnership with all our stakeholders, by understanding their needs, finding the right solutions and aiming for maximum customer satisfaction

QNB Finansbank's vision and mission are declared publicly on the Bank's corporate website.

The Bank prepares five-year business plans discussed annually by the Board of Directors. In addition to the business plans, the Bank's detailed annual budget is decided in consort with the Board of Directors. After the approval of the business plan and the budget, the Bank's rate of attainment of the objectives, activities and performance are monitored and discussed at regular meetings of the upper Management approves the strategic goals set by management and monitors the Bank's progress, operations and performance toward.

5.6 Remuneration

The attendance fee to be paid to the Members of the Board of Directors are determined by the General Assembly. As per note VI.1.4 of Part Five of the Financial Statements, as of December 31, 2017, the gross total provided to upper management, i.e. Board members, General Manager and Assistant General Managers is TL 82.697 million. Remuneration principles for Board members and executive directors have been written and announced via website of the Bank.

Loans extended to Board members and managers are limited in Article 50 of the Banking Law. No loans are granted to Board members and managers above these limits.

Executive Committees Under the Board of Directors

Audit Committee

On behalf of the Board of Directors, Audit Committee is responsible for monitoring the effectiveness, efficiency and adequacy of the internal systems of the Bank, functioning of these systems together with accounting and reporting systems in accordance with Laws and applicable regulations and the integrity and reliability of information generated by these systems. The Committee is also responsible for making necessary preliminary evaluations required for the selection of the independent auditors and rating, valuation and support service institutions by the Board of Directors; regularly monitoring the activities of the institutions selected and contracted; ensuring that the internal audit activities of subsidiaries subject to consolidation are carried out on a consolidated basis and in coordination with internal audit activities of the Bank.

Members of the Audit Committee are:

• Ali Teoman Kerman: Member of the Board of Directors (Chairman of the Committee)

• Durmuş Ali Kuzu: Member of the Board of Directors

• Ramzi T. A. Mari: Member of the Board of Directors

• Noor Mohd Al-Naimi: Member of the Board of Directors

Risk Committee

The Risk Committee is responsible for defining the Bank's risk management policies and strategies, reviewing all types of risks that the Bank is exposed to, monitoring the implementation of risk management strategies and bringing important risk-related issues to the attention of the Board.

Members of the Risk Committee are:

• Dr. Ömer A. Aras: Chairman of the Board of Directors

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Fatma A Al-Suwaidi: Member of the Board of Directors

• Ali Rashid Al-Mohannadi: Member of the Board of Directors

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

Credit Committee

The Credit Committee, within the scope of authorization granted by the Board of Directors as per the Banking Law numbered 5411, is responsible for reviewing, evaluating and approving the credit limits under the limits of Board of Directors and the Credit Committee in accordance with the strategies of the Bank and related legislation. The Credit Committee also monitors the quality of the Bank's credit portfolio and takes part in, and manages the allocation process of the credits within the scope risk- return relationship.

Members of the Credit Committee are:

• Dr. Ömer A. Aras: Chairman of the Board of Directors

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Fatma A Al-Suwaidi: Member of the Board of Directors

• Abdulla Mubarak N. Alkhalifa: Member of the Board of Directors

• Temel Güzeloğlu: General Manager & Member of the Board of Directors

• Alternate Members: Osman Reha Yolalan & Noor Mohd Al-Naimi

Corporate Governance Committee

Corporate Governance Committee has been established for the purpose of bank's achievement to best practice standards of corporate governance, monitoring the bank's compliance with corporate governance principles set by Banking Law and capital markets legislation, ensuring that Board of Directors composition, structure, working principles and procedures meet all relevant and regulatory requirements.

Members of the Corporate Governance Committee are:

• Ramzi T.A. Mari : Member of the Board of Directors

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

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

• Osman Reha Yolalan: Member of the Board of Directors

• Nazlı Çelem: Investor Relations Manager

Remuneration Committee

The Remuneration Committee has been established in order to define remuneration and incentive policies of the Board members and senior management and to advise the Board of Directors on such matters in order to comply with the Bank's ethical values, implementations and targets.

Members of the Remuneration Committee are:

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Ali Rashid Al-Mohannadi: Member of the Board of Directors

Other Committees in the Bank

Corporate Credit Policies Committee

The Corporate Credit Policies Committee is responsible for defining corporate loan policies, strategies and procedures while determining risk limits in line with the Bank's risk appetite and approving changes in these limits. Its responsibilities also include monitoring the performance of the Bank's corporate, commercial risks and ensuring that the Bank's corporate and commercial loan practices comply with legal regulations, and the principles of the QNB Group.

Members of the Corporate Credit Policies Committee are:

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Fatma A Al Suwaidi: Member of the Board of Directors and Risk Committee

• Temel Güzeloğlu: General Manager and Member of the Board of Directors

• Filiz Sonat: Executive Vice President, Corporate Credits (Resigned in December 2017 from the Bank.)

• Halim Bilgici: Executive Vice President, Retail and SME Credits

• Ömür Tan: Executive Vice President, Corporate and Commercial Banking

• Engin Turhan: Executive Vice President, Commercial Banking and Project Finance

Retail Credit Management and Policies Committee

The Retail Credit Management and Policies Committee is responsible for defining policies and strategies regarding the Bank's retail loan portfolio and approving amendments to these strategies. It is responsible for measuring, evaluating and monitoring the performance of all retail loan risks and ensuring that the Bank's retail loan practices comply with legal regulations and the principles of the QNB Unit.

Members of the Retail Credit Management and Policies Committee are:

• Fatma A Al Suwaidi: Member of the Board of Directors and Risk Committee

• Temel Güzeloğlu: General Manager and Member of the Board of Directors

• Erkin Aydın: Executive Vice President, Retail Banking, Payment Systems and Financial Institutions

• Halim Bilgici: Executive Vice President, Retail and SME Credit

Operational Risk Management Committee

The Operational Risk Management Committee is responsible for determining operational risk policies, reviewing and discussing operational risk issues of the Bank and ensuring to minimize them by action planning.

Members of the Operational Risk Management Committee are as follows:

• Zeynep Aydın Demirkıran: Head of Risk Management

• Ahmet Erzengin: Head of Internal Control and Compliance

• Mehmet Kürşad Demirkol: Executive Vice President, IT, Operations, Channels and Business Development

• Murat Koraş: Executive Vice President, Payment Systems

• Argun Derviş: IBTECH Board Member/CISO

• Gamze Dedeoğlu: Corporate Banking Penetration& Portfolio Management Division Manager

• İsmail Akın: Division Manager, Operational Risk and Business Continuity

Asset and Liability Committee

The primary purpose of Asset and Liability Committee is to monitor and manage the balance sheet structure and structural asset liability mismatch of the Bank, as well as to monitor, control and manage the liquidity risk within the limits set by the Board of Directors. The Committee evaluates monthly reports submitted by Risk Management and determines critical issues regarding risk.

Members of the Asset and Liability Committee are:

• Dr. Ömer A. Aras: Chairman of the Board of Directors

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Temel Güzeloğlu: General Manager and Member of the Board of Directors

• Adnan M. Yayla: Executive Vice President, Financial Control and Planning

• Köksal Çoban: Executive Vice President, Treasury

• Elçin Kitapçı: Division Manager of Asset Liability Management

Information Regarding the Participation of the Members of the Board of Directors and of the Committees in the Meetings

In 2017, the Board of Directors held 7 meetings and all members were present at these meetings except when their attendance was prevented due to reasonable excuses. Besides; in 2017, the Board of Directors adopted several Board resolutions without having meeting within the scope of Article 390 of the Turkish Commercial Code.

Audit Committee held 12 meetings and all members were present at these meetings except when their attendance was prevented due to reasonable excuses.

Board Risk Committee held 12 meetings and other than in exceptional circumstances all members were present at all meetings.

In 2017, the Corporate Governance Committee held 4 meetings and all members were present at these meetings except when their attendance was prevented due to reasonable excuses

In 2017, the Credit Committee held meetings as frequently as required by the Bank's needs.

In 2017, the Remuneration Committee held 7 meetings.

Amendments to the Articles of Association

Former Version	New Version
Article 7 Share Capital	Article 7 Share Capital
a. The Bank has adopted the registered capital system as per the provisions of the Capital Markets Law numbered 2499 and this matter has been approved by the permission dated October 14, 1993 and numbered 743 of the Capital Markets Board.	a. The Bank has adopted the registered capital system as per the provisions of the Capital Markets Law numbered 2499 and this matter has been approved by the permission dated October 14, 1993 and numbered 743 of the Capital Markets Board.
b. The Bank's registered share capital is TL 12,000,000,000.- (Twelve Billion Turkish Lira), represented by 120,000,000,000 (One Hundred and Twenty Billion) registered shares each with a nominal value of 10 Kuruş. When it deems necessary, Board of Directors is entitled to increase the Bank's issued capital by issuing new shares up to the said limit, in accordance with the provisions of the relevant legislations.	b. The Bank's registered share capital is TL 12,000,000,000.- (Twelve Billion Turkish Lira), represented by 120,000,000,000 (One Hundred and Twenty Billion) registered shares each with a nominal value of 10 Kuruş. When it deems necessary, Board of Directors is entitled to increase the Bank's issued capital by issuing new shares up to the said limit, in accordance with the provisions of the relevant legislations.
c. Board of Directors is entitled to directly offer to public, all of the shares representing the increased capital, by limiting the preemption rights upon satisfying the conditions set out in the relevant legislations.	c. Board of Directors is entitled to directly offer to public, all of the shares representing the increased capital, by limiting the preemption rights upon satisfying the conditions set out in the relevant legislations.
d. The Bank's issued capital is divided into 31,500,000,000.- (Thirty One Billion Five Hundred Million) registered shares with a totally paid-in nominal value of TL 3,150,000,000- (Three Billion One Hundred and Fifty Million Turkish Lira).	d. The Bank's issued capital is divided into 33,350,000,000.- (Thirty Three Billion Three Hundred and Fifty Million) registered shares with a totally paid-in nominal value of TL 3,350,000,000- (Three Billion Three Hundred and Fifty Million Turkish Lira).

Nominal value of the share certificates have been changed from TL 100,00.- to Kr 10.-within the scope of the law no. 5374 concerning the amendment of the TCC. As a result of such change, the total number of shares has remained unchanged and in consideration of 9,500,000,000 shares each with a nominal value of TL 100,000.-, 9,500,000,000 shares with a value of Kr 10.- will be given. Rights of the shareholders relating to such change are preserved. e. Registered capital permission granted by the Capital Markets Board is valid between 2014 - 2018 (for 5 years). Even if the permitted registered capital ceiling is not reached by the end of 2018, in order for the Board of Directors to resolve to increase the capital after 2018; it must be authorized by the general assembly upon obtaining the permission of the Capital Markets Board, for the previously permitted ceiling or a new ceiling amount. When it deems necessary, between 2014-2018, the Board of Directors is authorized increase the issued capital by issuing shares up to the registered capital ceiling and also resolve on issues such as restricting the rights of privileged shareholders, restriction of rights of shareholders to purchase the newly issued shares (other then Founders' Jouissance shares) and issuing shares above the nominal value or without voting rights in compliance with the provisions of the Capital Markets Law. The authority to restrict the preemptive rights shall not be exercised in a manner leading to in equality among shareholders. Shares representing the share capital shall be monitored in accordance with principles of dematerialization.	Nominal value of the share certificates have been changed from TL 100,00.- to Kr 10.-within the scope of the law no. 5374 concerning the amendment of the TCC. As a result of such change, the total number of shares has remained unchanged and in consideration of 9,500,000,000 shares each with a nominal value of TL 100,000.-, 9,500,000,000 shares with a value of Kr 10.- will be given. Rights of the shareholders relating to such change are preserved. e. Registered capital permission granted by the Capital Markets Board is valid between 2014 - 2018 (for 5 years). Even if the permitted registered capital ceiling is not reached by the end of 2018, in order for the Board of Directors to resolve to increase the capital after 2018; it must be authorized by the general assembly upon obtaining the permission of the Capital Markets Board, for the previously permitted ceiling or a new ceiling amount. When it deems necessary, between 2014-2018, the Board of Directors is authorized increase the issued capital by issuing shares up to the registered capital ceiling and also resolve on issues such as restricting the rights of privileged shareholders, restriction of rights of shareholders to purchase the newly issued shares (other then Founders' Jouissance shares) and issuing shares above the nominal value or without voting rights in compliance with the provisions of the Capital Markets Law. The authority to restrict the preemptive rights shall not be exercised in a manner leading to in equality among shareholders. Shares representing the share capital shall be monitored in accordance with principles of dematerialization.

*Amendments to the Articles of Association**

Former Version Article 3 Commercial Title And Trade Name	New Version Article 3 Commercial Title And Trade Name
The Bank's commercial title is "Finans Bank Anonim Şirketi". The Bank's trade name is shortly "QNB Finansbank".	The Bank's commercial title is "QNB Finansbank Anonim Şirketi". The Bank's trade name is shortly "QNB Finansbank".

Former Version Article 7 Share Capital	New Version Article 7 Share Capital
a. The Bank has adopted the registered capital system as per the provisions of the Capital Markets Law numbered 2499 and this matter has been approved by the permission dated October 14, 1993 and numbered 743 of the Capital Markets Board. b. The Bank's registered share capital is TL 12,000,000,000.- (Twelve Billion Turkish Lira), represented by 120,000,000,000 (One Hundred and Twenty Billion) registered shares each with a nominal value of 10 Kuruş. When it deems necessary, Board of Directors is entitled to increase the Bank's issued capital by issuing new shares up to the said limit, in accordance with the provisions of the relevant legislations. c. Board of Directors is entitled to directly offer to public, all of the shares representing the increased capital, by limiting the preemption rights upon satisfying the conditions set out in the relevant legislations. d. The Bank's issued capital is divided into 33,500,000,000.- (Thirty Three Billion Five Hundred Million) registered shares with a totally paid-in nominal value of TL 3,350,000,000- (Three Billion Three Hundred and Fifty Million Turkish Lira).	a. The Bank has adopted the registered capital system as per the provisions of the Capital Markets Law numbered 2499 and this matter has been approved by the permission dated October 14, 1993 and numbered 743 of the Capital Markets Board. b. The Bank's registered share capital is TL 12,000,000,000.- (Twelve Billion Turkish Lira), represented by 120,000,000,000 (One Hundred and Twenty Billion) registered shares each with a nominal value of 10 Kuruş. When it deems necessary, Board of Directors is entitled to increase the Bank's issued capital by issuing new shares up to the said limit, in accordance with the provisions of the relevant legislations. c. Board of Directors is entitled to directly offer to public, all of the shares representing the increased capital, by limiting the preemption rights upon satisfying the conditions set out in the relevant legislations. d. The Bank's issued capital is divided into 33,500,000,000.- (Thirty Three Billion Five Hundred Million) registered shares with a totally paid-in nominal value of TL 3,350,000,000- (Three Billion Three Hundred and Fifty Million Turkish Lira).

Nominal value of the share certificates have been changed from TL 100,00.- to Kr 10.-within the scope of the law no. 5374 concerning the amendment of the TCC. As a result of such change, the total number of shares has remained unchanged and in consideration of 9,500,000,000 shares each with a nominal value of TL 100,000.-, 9,500,000,000 shares with a value of Kr 10.- will be given. Rights of the shareholders relating to such change are preserved.	Nominal value of the share certificates have been changed from TL 100,00.- to Kr 10.-within the scope of the law no. 5374 concerning the amendment of the TCC. As a result of such change, the total number of shares has remained unchanged and in consideration of 9,500,000,000 shares each with a nominal value of TL 100,000.-, 9,500,000,000 shares with a value of Kr 10.- will be given. Rights of the shareholders relating to such change are preserved.
e. Registered capital permission granted by the Capital Markets Board is valid between 2014-2018 (for 5 years). Even if the permitted registered capital ceiling is not reached by the end of 2018, in order for the Board of Directors to resolve to increase the capital after 2018; it must be authorized by the general assembly upon obtaining the permission of the Capital Markets Board, for the previously permitted ceiling or a new ceiling amount.	e. Registered capital permission granted by the Capital Markets Board is valid between 2018 - 2022 (for 5 years). Even if the permitted registered capital ceiling is not reached by the end of 2022, in order for the Board of Directors to resolve to increase the capital after 2022; it must be authorized by the general assembly upon obtaining the permission of the Capital Markets Board, for the previously permitted ceiling or a new ceiling amount.
When it deems necessary, between 2014-2018, the Board of Directors is authorized increase the issued capital by issuing shares up to the registered capital ceiling and also resolve on issues such as restricting the rights of privileged shareholders, restriction of rights of shareholders to purchase the newly issued shares (other then Founders' Jouissance shares) and issuing shares above the nominal value or without voting rights in compliance with the provisions of the Capital Markets Law. The authority to restrict the preemptive rights shall not be exercised in a manner leading to in equality among shareholders.	When it deems necessary, between 2018-2022, the Board of Directors is authorized increase the issued capital by issuing shares up to the registered capital ceiling and also resolve on issues such as restricting the rights of privileged shareholders, restriction of rights of shareholders to purchase the newly issued shares and issuing shares above the nominal value or without voting rights in compliance with the provisions of the Capital Markets Law. The authority to restrict the preemptive rights shall not be exercised in a manner leading to in equality among shareholders.
Shares representing the share capital shall be monitored in accordance with principles of dematerialization.	Shares representing the share capital shall be monitored in accordance with principles of dematerialization.

**Such amendment was approved at the General Assembly dated 17.01.2018.*

Summary of the Board Report Submitted to the General Assembly

Throughout 2017 global economy performed better than initially expected. Despite the increasing geopolitical risks in the near and far geographies, the elimination of the uncertainties including the market friendly outcomes of the French and German elections supported the global economic activity. Economic activity accelerated, yet inflation dynamics remained subdued. While FED continued to normalize its monetary policy, ECB and Bank of Japan continued their expansionary stances. On the other hand, the central banks of several emerging markets lowered their interest rates.

On the back of the positive global sentiment and fiscal stimulus by the government, Turkish economy recorded an impressive growth in 2017. Expansionary fiscal measures, while pumping up the internal demand for loans, led to a deterioration in both inflation and external balance. 2017 inflation hit 11.9%. Current account deficit-to-GDP ratio, increased from 3.8 % at the end of 2016 to above 5% at the end of 2017.

Turkish banking sector, with the positive impact from the Credit Guarantee Fund incentive program application, achieved a strong loan growth led by non-retail loans in 2017. As of December 2017, total assets showed an increase of 19.3% over 2016 reaching TL 3,258 billion. Total loans increased by 20.8% to TL 2,154 billion. Deposits increased by 17.8 % to TL 1,719 billion and the sector's capital adequacy ratio remained 16.9%. Shareholders' equity surged by 19.6% totaling TL 359 billion and net income reached TL 49.1 billion.

In the light of all these developments, QNB Finansbank's total loans increased 31.4% to TL 82.7 billion and its total assets rose by 24.0% to TL 125.9 billion. Customer deposits was up by 25.7 % and reached TL 65.3 billion, while shareholder's equity amounted to TL 12.2 billion, marking an increase of 20.0%. The Bank's capital adequacy ratio stood at 15.0% and its net operating income totaled TL 1,603 million in 2017.

As of end of 2017, QNB Finansbank continued to serve its customers with 580 branches and around 12 thousand employees.

We express our gratitude to our customers who have not wavered in their confidence and shareholders for their continuous support. We thank our employees whose superior and selfless contributions we value supremely.

QNB Finansbank Board of Directors

Distribution of Profit

The Board of Directors have been resolved to

- Submit the dividend distribution proposal as set out below to the approval of the General Assembly Meeting to be held on 29th March 2018;

- Distribute the net profit of TL 1.603.440.787 -, which was calculated on the basis of the Bank's 2017 financial statements by deducting the taxes payable, as follows in accordance with Article 26 of Articles of Association of the Bank:

General Statutory Reserve	TL 80.172.039
First Dividend to Shareholders	TL 100.000.000
General Reserve	TL 1.423.268.748
Total	**TL 1.603.440.787**

- Distribute the first gross dividend to shareholders amounting to TL 100.000.000 as cash dividend, which shall be commenced on 19.06.2018; and

- Authorize the Board of Directors to carry out mentioned transactions.

Evaluations of the Audit Committee on the Activities of Internal Control, Internal Audit and Risk Management Systems, and Information About Their Activities in the Accounting Period

The Audit Committee is established pursuant to the provisions of Banking Law No. 5411 and Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process (Regulation). Internal Audit, Risk Management and Internal Control and Compliance Departments of the internal functions report to the Audit Committee. The Audit Committee Office is established to assist the Committee with its duties and responsibilities.

On behalf of the Board of Directors, the Audit Committee has the authority and responsibilty for:

- supervising the effectiveness, efficiency and adequacy of the Bank's internal systems and their compliance to the Law, applicable Regulation and the Bank's internal policies,

- determining if the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risks of the Bank are adequate and operative,

- supervising the operation of accounting and reporting systems and the integrity of the information generated by these systems,

- carrying out the necessary preliminary assessment for the selection of independent audit institutions and rating, valuation and support service institutions by the Board of Directors,

- monitoring regularly the activities of the institutions selected and contracted,

- ensuring that the internal audit activities of subsidiaries subject to consolidation in accordance with regulations introduced under the Law are carried out on a consolidated basis and in coordination with the internal audit activities of the Bank.

The Audit Committee convened twelve times in 2017. Based on its observations and evaluations, the Audit Committee concluded that the internal systems of the Bank were efficient and functioning as planned and the internal controls systems were effective.

Moreover, the Audit Committee reviewed all support services procured by the Bank, ensured that necessary actions were taken to effectively manage the risks exposed by these services and the Bank complied with the Regulation on Banks' Procurement of Support Services.

A summary of the activities performed by departments reporting to the Audit Committee is stated below.

Internal Audit Department

Internal Audit Department has accomplished its mission to support the Board to protect the Bank's assets, reputation and the sustainability of its activities in 2017. In order to ensure the objectivity and independence required when undertaking this mission, audit engagements were carried out and reported functionally and administratively through Head of Internal Systems and Audit Committee to the Banks' Board of Directors.

The Department maintains its activities staffing 97 people with its competent sources in terms of quality and quantity. 1 Chief Audit Executive and 3 Deputy

Chief Audit Executive assigned as the Department's management staff. Eight specialized units consisted in the Department are; Credit Processes and Businessline Audits, Operational Audits, Treasury and Financial Audits, Branch Audits, Fraud and Special Investigations, Fraud Prevention and Data Analysis, Subsidiary Audits & Methodology and IT Audits. After the results of the 2017 certification exams, the total number of certified employees in CIA (Certified Internal Auditor) is 16, CISA (Certified Information Systems Auditor) is 9, CRMA (Certification in Risk Management Assurance) is 3, CFE (Certified Fraud Examiner) is 12 and SMMM (Certified Public Accountant) is 3. Total number of certifications held by the employees of the Internal Audit Department is 75. It is purposed to increase the numbers of certifications in 2018.

The Department conducts its activities in compliance with International Internal Audit Standards of the Institute of Internal Auditors (IIA), and compliance has been certified by the independent audit company. The assurance provided by this certificate is continuously monitored. In addition, auditors are encouraged to acquire professional certifications available in their field, which is a prerequisite for promotion.

QNB Finansbank Board of Directors are periodically informed about the activities of the Department on a continuous basis over the quarterly activity reports submitted through the Audit Committee. In the engagements carried out by the department in 2017, internal control system of the audited areas are assessed under the framework of annual audit plan which was prepared considering all risk exposures of the Bank.

The internal audit reports prepared as a result of the audit engagements carried out by the Department are submitted to the Senior Management and the Board through the Audit Committee. The actions taken to remediate the identified findings are followed up and regularly reported by the Department throughout the year.

Audit activities consists of Head Office units, branches, subsidiaries and information technologies processes audits. In addition to the planned and unplanned audit engagements, 2017 activities also covered incident-based investigations and inspections as well as participation in various projects and consultancy services.

In 2017, risk assessments of group affiliates and subsidiaries were considered and audits which should be carried out by Internal Audit Department were determined and performed accordingly. In addition to the studies performed in coordination with the internal audit units of related companies, internal audit departments of group affiliates and subsidiaries conducted audits as well and the results are monitored by QNB Finansbank Internal Audit Department via quarterly activity reports and monthly monitoring forms. In addition, importance is attached in order to maintain that the audit methodology of these units is in line with the audit methodology of the QNB Finansbank Internal Audit Department.

In the Information Technologies area, threats, risks and the control environment over criteria such as confidentiality, integrity and accessibility of information are examined and evaluated and assurance has been given regarding adequacy of the control environment. In addition to the information technologies audit engagements at QNB Finansbank group affiliates and subsidiaries, the Department also monitors closely the effectiveness, adequacy and independence of the internal audit-control activities regarding information technologies and if required, provides necessary support to the units. The outsource companies which provide services to information technologies are also audited.

Internal Audit Department utilizes computer assisted audit technologies and scenario-based examinations as well as data mining methods are employed in order to prevent cases of fraud. In addition, with the use of these techniques various analytical queries can be run within the context of audit activities and if needed specific data or samples can be prepared for special use.

The new Governance, Risk and Control software system named RSA Archer, which is provided at the beginning of the year, has been implemented as of December 2017. Internal Audit Department will mainly use the system for audit/investigations entries and follow-up activities, in addition the system will be used for report preparation and monitoring activities as well. With the use of system capabilities, it is expected that efficiency and effectiveness through performing audit activities, managing risk and control inventory and finding and action plan status follow-up will increase. Similarly, a web based audit application named as FAST which is developed by our Bank is being used in branch audits. Throughout the application, branch audit team members can create audit records, upload workpapers, enter finding and track their current statuses via online and secure web connection and they can extract audit reports automatically from the system.

Following the activities completed in 2017, the Internal Audit Department accomplished its goals by providing independent and objective assurance and consultancy services as in the previous years and contributed to the regular, systematic and disciplined evaluation and improvement of the effectiveness of corporate governance, risk management and internal control environment in order to improve and add value to the Bank's activities.

Internal Control and Compliance Department

Reporting to the Head of Internal Systems and the Audit Committee, the Internal Control and Compliance Department performed control activities for minimizing the Bank's exposure to operational, regulatory and financial risks. The total number of personnel is 95.

Internal Control Division

The internal control system of the bank is designed and constructed in a way that assets of the bank are safeguarded, daily transactions are handled in compliance with the rules, laws and regulations and the financial reporting systems are reliable, accurate and timely achievable.

As an important part of the internal control system, Internal Control Division is responsible for undertaking control activities among the branches, subsidiaries and head-office units of the bank. Remote and on-site control methods are used while undertaking the second level controls. As of yearend 2017, the total number of Internal Control Division personnel is 70. The division is made up of two sub-divisions which are explained in detail:

Branch & Subsidiary Controls Sub-Division:

All branches are visited at least once a year and controls are made by reviewing control points listed in a pre-defined checklist. The most recent samples are drawn to see and evaluate the latest reflections of the changes and the operating scheme of the branch. Findings are communicated to relevant units for follow-up purposes. Moreover, monthly and quarterly consolidated reports are prepared and shared with the management.

The branches having relatively higher finding rates among others are visited for a second control in the last quarter of the year.

Additionally, all OSDEMs (Operation Field Support Centers) which fulfill the significant part of operational processes in branches are visited during the year.

Similarly, all subsidiaries are visited, and the checklist prepared in collaboration with subsidiary management is followed during the audits.

Moreover, every quarter, the action plans listed in the "periodic evaluation reports" of the outsource companies are followed-up.

Head Office, Information Technologies and Management Statement Controls Sub-Division:

Teams of controllers who are specialized in different areas of banking undertake the Head Office control points prepared with Business units considering the compliance, operational and financial risks. Within this context, functions like accounting, financial control, loans and deposits, banking operations, treasury, cash management and credit card businesses are heavily controlled as a second level defense mechanism.

Besides, within the context of remote controls, some specific cases are being monitored daily, weekly or monthly via data derived from the system.

In addition, in order to achieve full compliance to the changing rules and regulations, the announcements made by the Compliance Division are followed-up through Business units to identify whether necessary actions are taken or not.

With respect to Information Technologies (IT) general controls, specific attention is paid to physical and logical access rights, effectiveness of software development process is reviewed and controls on data and system security are tested. Moreover, many periodic reviews are made related to IT controls.

Apart from these, the division prepares the Management Statement report pursuant to the relevant regulations. The methodology of this work is similar with the external auditors' methodology and the scope includes both Business and IT processes. The results are submitted to External Auditor after the report is approved and signed by the Board of Directors.

Compliance Division

Compliance Division determines and manages the risks related to financial losses as a result of the Bank's loss of reputation caused by non-compliance with the laws, regulations, Bank's processes and instructions. As of yearend 2017, 24 personnel are employed at Compliance.

Compliance Division closely follows regulatory changes and ensures that the Bank's practices are updated accordingly by providing guidance and making announcements with regard to such regulatory changes. Compliance responds to the questions posed by the branches and Head Office units related to regulatory issues, and plays an active role by providing opinions and recommendations in the process of developing banking products to be offered to the customers. Compliance Division also provides guidance to the financial subsidiaries of the Bank regarding their own regulatory compliance engagements.

Additionally, it monitors and notifies the Financial Crimes Investigation Board on suspicious transactions by establishing necessary systems pursuant to regulations related to anti-money laundering and counter-terrorism financing. Furthermore, Compliance consults with regulatory and supervisory bodies, and works to establish social and environmental standards in the loan granting processes. Within the resolution process of the Board of Directors to launch new products/services, the opinions and evaluations of Compliance are required in terms of compliance with applicable regulations. Furthermore, Audit Committee is also assisted by the Compliance Department within the framework of "Support Services Policy" of the Bank. The activities of Compliance in 2017 were performed within this broad area of responsibility.

The three units stated below perform compliance activities:

Banking Regulations Unit: The Unit issues circulars and announcements on new regulations and laws concerning the banking sector. The Unit approves non-standard text of letters of guarantees, counter-guarantees, standby letters of commitment and reference letters. The Unit provides written and verbal consultancies to branches and head office departments. The Manager of the Unit represents the bank as a member in the Foreign Exchange Regulations Working Group, established by the Banks Association of Turkey in order to analyze and provide solutions to any kind of sectorial problems related to foreign trade regulations. In addition; the Manager of the Unit is a member to ICC Guarantees Task Force which works on international guarantees.

Regulatory Compliance Unit: New products and campaigns, adverts and advertising materials launched by related departments are reviewed and approved by the Regulatory Compliance Unit in accordance with related regulations in effect. Customer complaints received through regulatory authorities are reviewed and letters of reply are approved, and if necessary related departments are advised to take appropriate actions. This Unit also makes announcements to bank's relevant units about regulatory issues, including capital markets legislation, as well as to financial subsidiaries. Furthermore, regular monitoring activities are performed by said Unit within the scope of Capital Markets regulations with regard to insider trading and market manipulation.

Anti-Money Laundering (AML) Unit: AML Unit is responsible for taking necessary actions, making assessments and implementing the systems in order to prevent money laundering as required by the local and international regulations. The Unit also follows up the developments in the regulatory framework and informs employees regarding the developments on the AML issues. In addition, AML Unit takes necessary measures to implement new regulations, develops new systems to comply with local and international regulations on AML issues, performs monitoring activities, conducts face-to-face trainings and e-learning activities and reports suspicious transactions to Financial Crimes Investigation Board (MASAK).

Risk Management

Risk Management is responsible for monitoring and managing all potential risks for the Bank in a centralized and efficiently coordinated manner. The primary goal of Risk Management is to provide business lines appropriate capital allocation (economic capital) for risks they are exposed to and increase value-added by maximizing risk adjusted return on capital.

Organizational Structure

Risk management governance at the Bank starts with the Board of Directors. The Board's Risk Committee, Asset/Liability Committee (ALCO), Corporate and Retail Credit Policy Committees (CPC), Operational Risk Management Committee (ORMC) and the Risk Management Department are important bodies of the risk management structure at QNB Finansbank.

The Board of Directors is responsible for determining the general risk policy and the risk appetite of the Bank. The Risk Committee defines risk policies and strategies, reviews all types of risks the Bank is exposed to in its monthly meetings, monitors the implementation of risk management strategies, and brings important risk issues to the attention of the Board. The ALCO, meeting monthly, monitors and manages the structural asset liability mismatch of the Bank. It also monitors and controls liquidity risk and foreign currency exchange risk. The CPC meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies related to credit risk management processes, such as loan approval, limit setting, rating, monitoring and problem management. The ORMC, also meeting quarterly, reviews the operational risk issues of the Bank and defines the necessary actions to be taken to minimize these risks.

QNB Finansbank Risk Management Department works independently from executive management and reports to the Board of Directors through Head of Internal Systems and Audit Committee. Market Risk, Credit Risk and Capital Management, and Operational Risk Management Units are responsible for identification, monitoring and managing of all related risks. Model Development and Monitoring Unit is responsible for developing the application and behavioral scorecards with the purpose of ensuring that the portfolio and processes of loans are managed properly and effectively, whereas, Model Validation Unit is responsible for validation of risk measurement and credit rating/scoring models as well as assessment of performances.

Market Risk Management

Market Risk arises due to the positions in the trading book, including trading securities, open currency position and all derivatives excluding transactions done for hedging purposes, taken by the Bank with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices or interest rate variations.

Market risk stems from the uncertainty concerning changes in market prices and rates (including interest rates, equity and bond prices and foreign exchange rates), and their levels of volatility. QNB Finansbank seeks to identify, estimate, monitor and manage these risks effectively through a framework of principles, measurement processes and a valid set of limits that apply to all of QNB Finansbank's transactions.

A set of market risk limits are defined, based on Value at Risk (VaR), nominal position, present value basis point and option greeks, in order to manage market risk efficiently and to keep market risk within desired limits. In addition to these limits, the Bank defines warning levels for certain limit types, to allow a process of review, analysis, and consultation in order to take preventive actions, prevent limit breaches, and limit possible losses. The limits are monitored on a daily basis by Risk Management Department. VaR results are supported by regular stress testing and scenario analyses.

QNB Finansbank calculates the regulatory capital requirement for market risk using the standardized method within the framework of BRSA guidelines on a monthly basis. The methodology used for the calculation of capital requirements for general market risk and specific risk is determined by the BRSA. In addition, parallel to best global practices, VaR is measured daily. VaR, which is a measure of the maximum potential loss on the trading portfolio, is calculated using the historical simulation method with a 99%-confidence level and one-day holding period.

While the VaR approach provides a forecast for possible losses in the last one-year market conditions, it cannot predict contingent losses under extreme conditions. Hence, the VaR approach is complemented by stress testing in order to incorporate possible extreme market movements. Stress tests simulate the impacts of crises, extreme market conditions and major changes in correlations and volatilities.

The Bank uses back testing to verify the predictive power of the value-at-risk calculations. In back testing, theoretical gains/losses calculated by VAR on positions at the close of each business day is compared with the actual gains/losses arising on these positions on the next business day. The assumption of the VaR model is reviewed and revised if such a need occurs as a result of the back testing procedure.

Interest Rate Risk

The Bank is exposed to structural interest rate risk resulting from differences in the timing of rate changes and the timing of cash flows that occur in the pricing and maturity of a bank's assets and liabilities. Bank defines Policy for the Management of Interest Rate Risk of Banking Book (IRRBB). According to the policy, interest rate risk is calculated for the banking book, which includes all portfolios excluding trading book.

Even though the Bank is exposed to structural interest rate risk on its balance sheet due to the nature of its existing activities, the policy ensures that all position is monitored effectively and the risk stays within the pre-defined limits.

The Asset Liability Committee (ALCO) aims to protect the economic value of equity while sustaining a stable earnings profile. Duration/GAP analyses, which rely on calculations of net discounted future cash flows of interest rate sensitive balance sheet items, are conducted to manage this risk. Moreover, the Bank runs net economic value sensitivity scenarios with changes in interest rates and interest rate margins, to calculate their impact on net economic value.

The Bank utilized scenario analysis in order to evaluate the impact of interest rate change on net economic value. In addition to the Basel standard interest rate shock scenario, the 2001 crisis, May 2004 and June 2006, 2008 scenarios and June-December 2013 volatility are also simulated.

Liquidity Risk

Liquidity risk is defined as the current or prospective risk to earnings and capital arising from the Bank's inability to meet its liabilities -because of its balance sheet structure or market movements- when they are due. QNB Finansbank aims to control its 'cash and available funding sources/deposits' ratio within limits. In addition to early warning indicators, survival horizon under different stress levels and actions planned under liquidity crises are defined in the Bank's "Liquidity Contingency Plan".

Within the scope of the Basel III accord, the "short-term liquidity coverage ratio" and the "net stable funding ratio," to measure long-term liquidity, are calculated. Liquidity coverage ratio and net stable funding ratio are monitored on a daily and monthly basis, respectively.

Credit Risk Analytics, Strategy and Capital Management

Credit risk is defined as the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the institution or otherwise fail to perform as agreed. The aim of credit risk management is to maximize the Bank's risk-adjusted rate of return by maintaining the credit risk exposure within acceptable limits defined by the risk strategy document.

Credit Risk Management is embedded into the end-to-end credit processes of the Bank. While the underwriting units are responsible for day-to-day management of the credit risk, The Board of Directors controls the complete lending process by approving the lending criteria, credit risk policies and delegating authorities depending on the type of the product through Credit Policy Committees. The responsibility of the Credit Risk Analytics, Strategy and Capital Management Unit is the establishment of effective and efficient internal policy, procedure and methodologies for definition, quantification, measurement, control and reporting of the credit risks.

The Credit Risk Analytics, Strategy and Capital Management Unit performs the internal and external reporting of credit risk in an appropriate way for different audiences. The Bank's Board Risk Committee monitors a comprehensive list of credit risk metrics and the risk-based performance measures of the credit portfolios on a monthly basis. In case of any mismatch between the risk profile and the risk appetite of the Bank, the necessary measures are taken immediately to make sure that the portfolio credit quality of the Bank complies with the defined risk appetite.

Credit Risk Analytics, Strategy and Capital Management Unit is also responsible for the capital management process, which includes compliance with the regulatory capital requirements and the establishment of the Bank's policies, processes, methods and systems relating to the Internal Capital Adequacy Assessment Process (ICAAP). This process involves calculation, projection and analysis of legal and economic capital requirements necessitated by yearly and long-term business plans of the Bank.

The Bank has traditionally put great emphasis on the strength of its capital base to maintain investor, creditor and market confidence and to sustain future business development. In line with this point of view, ICAAP framework is designed to ensure that the Bank has sufficient capital resources to meet the regulatory capital requirements, and that it has available capital in line with its own risk appetite and internal guidelines.

Operational Risk and Business Continuity Management

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The Operational Risk and Business Continuity Management Unit is responsible for identifying, measuring, monitoring and managing all risks under the scope of operational risk as well as Business Continuity Management.

Activity-process based operational risks are identified through Risk Control Self-Assessment and classified by cause, event and effect categories as proposed by Basel II and actions are taken for severe risks. Operational loss data collection process, which began in January 2005, continues. While loss data is accumulated to provide meaningful statistical data, business processes, where improvements are required, are defined based on the results and all necessary actions for improvement are taken. Key Risk Indicators are defined and monitored regularly for severe risks. A robust operational risk management process and methodology is implemented.

The Bank has also prepared and implemented a Business Continuity Management Plan, in order to minimize losses due to business disruption. In addition, the Bank performs the comprehensive annual test of the Disaster Recovery Center with the participation of business units and the IT Department.

Model Development and Monitoring

Model Development and Monitoring Unit is responsible for developing the application and behavioral scorecards with the purpose of ensuring that the portfolio and processes of loans are managed properly and effectively and the conduct of complementary/

regulatory studies on models as well as monitoring performance and modeling/ implementation consistency of scorecards.

Model Validation

QNB Finansbank's Model Validation Unit is responsible for the validation of the risk models before they are implemented on the Bank's scale. The validity of the models regarding credit risk, market risk, IFRS 9and ICAAP are assessed by the Model Validation Unit through qualitative and quantitative tests in terms of data quality, methodology, performance, and the compatibility with legal requirements and best practices.

Once the above-mentioned models are implemented, their performances under changing macroeconomic conditions, Bank's portfolio and risk appetite are monitored and reported on an ongoing basis via performance and stability tests.

Audit Committee Office

Established in 2011, the Audit Committee Office provides the services required for the effective working of the Committee. The Office is responsible for reviewing and presenting to the Committee members reports concerning the Committee, monitoring Committee meetings, archiving all documents regarding work carried out, coordination and follow-up of the support service activities, obtaining resource adequacy and independence statements from Independent Audit and Valuation companies and independence statements from the Bank senior management regarding these companies, following up the implementation of the Committee decisions, reporting the Committee activities to the Board of Directors, and performing other duties assigned by the Committee.

Related Party Risks

Regardless of the nature of transactions, relations with companies in the risk group of and controlled by the Bank, are conducted in the scope of a bank-client relationship and in compliance with the Banking Law and prevailing market conditions.

Type, amount and rate of transactions to total transactions as well as the structure, amount and rate of main items, pricing policy and other terms in the transactions with the risk group companies are set on an arms-length basis and based on prevailing market conditions. As of December 31, 2017, cash loans granted to risk group composed 0.4% of the Bank's total loans, deposits obtained from risk group composed 1.1% of the Bank's total deposits.

Transactions involving the purchase and sale of real- estate and other assets and services, agency contracts, leasing contracts, transfer of data obtained from research and development activities, license contracts, financing (including loans and cash or in-kind capital contributions), guarantees and collaterals, management contracts, and the like) are underwritten between the Bank and Finans Leasing (Finans Finansal Kiralama A.Ş.). Net leasing payables incurred from these contracts amounted to TL 6.6 million as of December 31, 2017.

The Bank entered into a contract with IBTech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. for research, development, and consultancy services.

The Bank receives cash transfer services from its 33.3% subsidiary Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.

The Bank provides agency services to Cigna Finans Pension (Cigna Finans Emeklilik ve Hayat A.Ş.), which is a joint venture of the Bank with a 49% stake.

Information on Outsourced Service Groups and the Institutions Supplying Outsourced Services

Support services were procured within the scope of Regulation on Banks' Procurement of Support Services in 2017 under the following service groups:

Service Groups	Supplier
Archive Service	Hobim Digital Elektronik Hizmetler A.Ş.
	Iron Mountain Arşivleme Hizmetleri A.Ş.
IT Services	Acerpro Bilişim Teknolojileri A.Ş.
	Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.
	BGA Bilgi Güvenliği A.Ş.
	C/S Enformasyon Teknolojileri Ltd. Şti.
	eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. (Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş. is the subcontractor)
	eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. (edefter)
	Etcbase Yazılım ve Bil. Teknolojileri Anonim Şirketi
	Ibtech Uluslararası Bilişim ve İletişim Tekn. Ar-Ge Danışmanlık Destek San. ve Tic. A.Ş.
	Innovera Bilişim Teknolojileri A.Ş.
	Kartek Kart ve Bilişim Teknolojileri Ltd. Şti.
	Mastercard Payment Transaction Services Turkey Bilişim Hizmetleri A.Ş. (Austria Card Turkey Kart Operasyonları A.Ş. is the subcontractor)
	Matriks Bilgi Dağıtım Hizmetleri A.Ş.
	Uzman Bilişim Danışmanlık A.Ş.
	Vega Bilgisayar Hizmetleri Ltd. Şti.
Cheque Printing Service	Akbasım Matbaacılık ve Tic. Ltd. Şti.
	MTM Holografi Güvenlikli Basım ve Bilişim Teknolojileri San. ve Tic. A.Ş.
Security Service	MGS Merkezi Güvenlik Sistemleri San. Tic. A.Ş.
	Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş.
Mortgage Service	Fu Gayrimenkul Yatırım Danışmanlık A.Ş.
Card Printing	E-Kart Elektronik Kart Sistemleri San. ve T.A.Ş.
	Plastkart Plastik Kart Akıllı Kart İletişim Sistemleri San. ve Tic. A.Ş.

Service Groups	Supplier
Courier	Aktif İleti ve Kurye Hiz. A.Ş.
	Kurye Net Motorlu Kuryecilik ve Dağıtım Hiz. A.Ş.
	T.C. Posta ve Telgraf Teşkilatı Genel Müdürlüğü (PTT)
Cash and Valuables Transfer	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.
Marketing, Sales, Operational Support	Atos Origin Bilişim Danışmanlık ve Müşteri Hizmetleri San. Tic. A.Ş.
	Bilge Adam Bilgisayar ve Eğitim Hizmetleri San. A.Ş.
	Cigna Finans Emeklilik ve Hayat A.Ş.
	Konut Kredisi Com Tr Danışmanlık A.Ş.
	Meriç Organik Ürünleri San. ve Tic. A.Ş.
	Turkcell İletişim Hizmetleri A.Ş.
Marketing, Sales, Operational Support / Collection Service	CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş.
	Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş.
Personnel Selection and Temporary Personnel Employment	Adecco Hizmet ve Danışmanlık A.Ş.
POS Service	Asseco See Teknoloji A.Ş.
	Ingenico Ödeme Sistem Çözümleri A.Ş.
	Verifone Elektronik ve Danışmanlık Ltd. Şti.
Collection Service	Collecturk Alacak Yönetimi ve Danışmanlık A.Ş.
	Girişim Alacak Yönetim Hizmetleri ve Yazılım Servisleri A.Ş.
	Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş.
	RGN İletişim Hizmetleri A.Ş.

Assessment of the Bank's Financial Position, Profitability and Solvency

QNB Finansbank's strong growth in recent years continued to accelerate in 2017.

In line with the Bank's plans regarding increasing the client base by focusing on banking activities, the total credit portfolio increased to TL 82.7 billion. The total number of branches was 580 by December 31, 2017, with 578 domestic, one off-shore (one on December 31, 2016) and one airport branch (one on December 31, 2016) located at the Atatürk Airport Free Zone.

Assets

With the help of its customer-oriented approach, QNB Finansbank maintained its growth in 2017, particularly in SME and commercial loans. Total loans amounted to TL 82.7 billion, indicating a 31% increase while total assets reached TL 125.9 billion, up 24% from the previous year. In 2017, the Bank's business loans to the strategically prioritized market segments (corporate, commercial, SMEs, and businesses) maintained its growth, increasing 39% in comparison to the previous year.

Liabilities

In parallel with the growth in assets, QNB Finansbank's total deposits continued to increase in a balanced manner. Customer deposits reached TL 65.3 billion, marking an 26% rise, while shareholders' equity increased 20% to TL 12.2 billion. In 2017 the Bank issued local and foreign currency bonds in Turkey and abroad, thus increasing its diversification of funding.

Profitability

The Bank's net interest income was recorded at TL 5,652 million in 2017, while net fee and commission income totaled TL 1 billion and 686 million. The net profit in 2017 was TL 1,603 million. The Bank's bank-only capital adequacy ratio at the end of 2017 was 14.99%.

Solvency

QNB Finansbank has a solid financial structure backed by a strong capital structure and a high return on equity.

QNB Finansbank uses its equity capital in banking activities effectively while sustaining profitability. QNB Finansbank funds its loans with long-term borrowings in addition to its robust funding structure and wide deposit base. Through the use of a variety of funding sources, the Bank decreases the cost of funding, and also minimizes risks that arise due to differences in maturity.

With a solid position in Turkey's financial markets, QNB Finansbank's strong financial structure has also been recognized by independent rating agencies.

Additional Information on the Activities of the Bank

The Bank does not have any treasury shares bought from the market.

The Bank receives a limited review quarterly and an audit at year's end from an independent audit firm. In addition, the Bank is subject to constant surveillance under the scope of banking regulation and is subject to supervision of the Banking Regulation and Supervision Agency.

Within the scope of brand strategies and the change of principal shareholder, Bank has decided to change its logo and business name. The new logo and business name is "QNB Finansbank" as of October 20, 2016. The commercial title of the bank which was previously "Finans Bank A.Ş.", was changed into "QNB Finansbank A.Ş." by the confirmation of decisions on 19.01.2018 that were taken in General Assembly on 17.01.2018.

The inquest by the Competition Board initiated on 02.11.2011 regarding some banks including QNB Finansbank A.Ş., came to a close on 11.03.2013. As a result of such inquest, QNB Finansbank paid an administrative fine in the amount of TL 40.516 million. An annulment action regarding the aforementioned resolution has been filed on 16.09.2013 before the 16. Administrative Court in Ankara. The case is in progress.

As per the report of the inspection by the Ministry of Customs and Commerce, the Bank was served an administrative fine in the amount of TL 43.569 million. Without prejudice to all legal rights of the Bank regarding annulment of the administrative fine, the fine was paid in the amount of TL 32.676 million on August 28, 2015, benefiting from Art.17 of Law of Misdemeanors no.5326. The Bank has, within the statutory period, filed an annulment action against the resolution of the Ministry regarding the aforementioned fine before the 12. Administrative Court in Istanbul. The legal process is pending.

As a result of an inspection made by the Ministry of Labor and Social Security Labor inspection Board Group Presidency, with the report prepared by General Directorate of Turkey Business Association Istanbul Working and Business Institution Provincial Directorate, TL 2.470 million administrative fine given to our bank was paid as TL 1.853 million by benefiting from the discount in accordance with the relevant regulations. Our Bank resorted to the jurisdiction about the related fine and the cancellation of Audit Report. In the case which was opened aimed at the cancellation of relative administrative fine, TL 1.612 million cancellation was decided and for an amount of TL 0.9 million, the objection was rejected. Against the decision for the rejection of TL 0.9 million, our Bank will apply for a legal reclamation process. The case opened oriented the cancellation of Audit Report is still in progress.

As a result of an investigation in terms of RUSF (Resource Utilization Support Fund) for the acquired expenses and prices from the customers who use Individual Credits, a tax audit report was prepared by Tax Inspection Board Large Taxpayers Groups.

A prepared report in the name of our Bank and accrual slip, because a RUSF calculation wasn't made for the expenses and prices acquired from the customers who use Individual Credits, TL 13.726 million original RUSF and TL 17.094 million penalty rate were requested for 2011. In addition to a RUSF and a penalty accrual of interest and related to a Tax Audit Report, a case was opened with the request for the suspension of execution by İstanbul Administrative Court and the cancellation of accrual slips. As of 2017, the Court cancelled the penalty accruals of interest, Analysis Report and RUSF for the benefit of our Bank. The decision is expected to become definite.

All legal transactions realized with the controlling company and other affiliated companies thereof, details of which are provided in the Affiliation Reports, have, to the best of our knowledge of circumstances and conditions, been done so against compatible counter actions. No measures have been taken or avoided to be taken, and the Bank has suffered no damages. As a result of inspection of financial transactions the Bank has realized with the controlling company and other affiliated companies thereof, as per Art. 199 of the Turkish Commercial Code, it was seen that all transactions conducted by the Bank were compatible with ensuing market conditions and precedents, done on an arms-length basis.

2017 Annual Report Statement of Responsibility

QNB Finansbank's annual report is prepared and presented in accordance with the principles and regulations stated in the "Regulation on the Preparation and Publication of Annual Report for Banks" as appeared in the Official Gazette on November 1, 2006, with number 226333.

Mehmet Ömer Arif Aras
Chairman

Ali Teoman Kerman
Board Member and Chairman
of the Audit Committee

Ramzi T.A. Mari
Board Member and
Audit Committee Member

Durmuş Ali Kuzu
Board Member and
Audit Committee Member

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

Temel Güzeloğlu
General Manager

Adnan Menderes Yayla
Executive Vice President,
Financial Control and Planning

Sustainability

Our Sustainability Approach

In QNB Finansbank, we define "Sustainability" as tapping into innovations and opportunities in order to offer the best customer experience in the fastest way, and supporting the society, economy, commerce and production to create and maximize the shared value for our Bank, customers, stakeholders and Turkish economy, as has been the case so far and also will be in the future.

In this context, our Bank's sustainability studies were started in 2017 in order to bring together relevant studies carried out in different areas of our bank on the axis of sustainability and bring those, as well as the value created, to the attention and use of all the stakeholders.

Currently, The Corporate Governance Committee is responsible for the oversight of sustainability studies. In this regard, the Corporate Governance Committee holds the highest authority and responsibility to monitor whether sustainability goals are achieved or not.

Materiality and Materiality Analysis

QNB Finansbank has defined material topics, in other words the sustainability priorities based on Global Reporting Initiative (GRI)-an independent institution deemed as the pioneer of sustainability reporting since 1997-Sustainability Reporting Guidelines and Sector Disclosures, QNB Group values, its corporate strategy, stakeholder expectations and feedbacks, and best practice examples.

In this regard, in 2017 the members of the Corporate Governance Committee, carrying out the sustainability studies (sustainability sub-working group) as well as the Compliance Department and Strategy Office came together and evaluated the Bank's priorities, coming up with 15 topics. Later, this list was submitted to the approval of the top management, and the process was completed. In the upcoming period, it is aimed to update this list taking into consideration of stakeholders' opinions.

Sustainability Sub-Working Group Members

Prof. Dr. Mustafa A. Aysan Board Advisor	Ahmet Erzengin Head of Internal Control and Compliance
Teoman Kerman Chairman of the Audit Committee	Şafak Alptekin Regulatory Compliance
Assoc.Prof. Dr. Reha Yolalan Board Member	Eşmen Sarı, Denizhan Maden, Gözde Engüzel Strategy Office
Nazlı Çelem Investor Relations	

Sustainability Framework

Within the scope of our sustainability strategy; six topics out of fifteen are deemed as "pillars of sustainability", in other words, topics that cannot be materialized nor prioritized since they are equally important and should be achieved under any circumstances in terms of reaching sustainability goals.

The details are as follow:

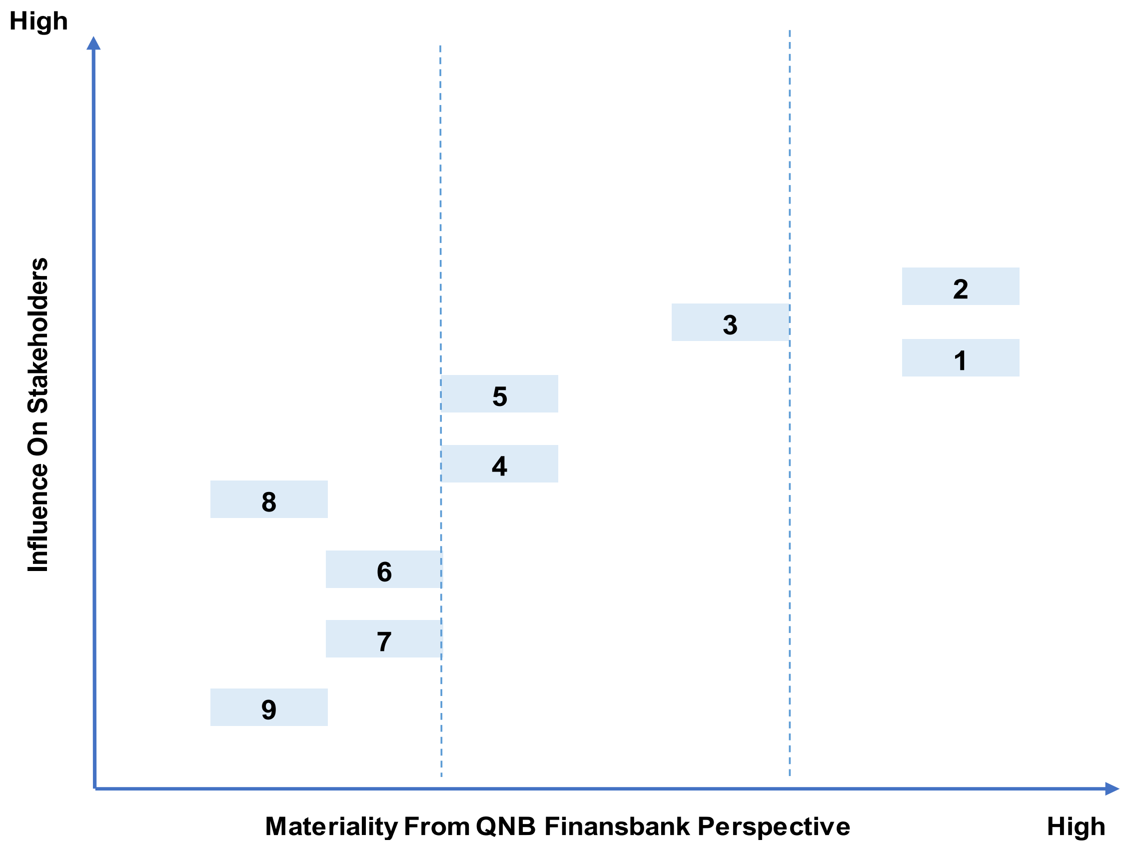
Pillars of Sustainability	
Corporate Governance, Ethical Banking and Compliance	To conduct our activities in accordance with regulations, ethical banking principles, internal policies and procedures, in a transparent and an accountable manner, and to establish a robust corporate governance structure in order to achieve so.
Financial Performance	To diversify our fund sources by attracting different investors &investments and to provide our customers, in board terms, society and economy, with those funds accordingly, to increase our profitability in order to make a contribution to such stakeholders.
Financial Stability and Systematical Risk Management	To manage proactively financial and macroeconomic risks proactively by an effective risk management policy to ensure that unnecessary risks are not taken, thus, to achieve a robust capital structure, high liquidity and profitable growth accordingly; to ensure that our liabilities are met and our activities continue even under the unfavorable economic and financial conditions.
Customer Satisfaction	To prioritize customer satisfaction and loyalty at all times, to provide our customers with the most suitable products and services for their needs, and to carry out projects that will further strengthen our bonds with the customers.
Confidential Customer Information and Data Security	To take the top level measures in order to avoid data security risks arising from the developments in technology; to establish necessary policies, procedures and systems accordingly.
Employee Satisfaction	To be an employer of choice, to increase employee satisfaction and loyalty by establishing a fair and transparent system, to bring new talents to the Bank in addition to providing our employees with new opportunities that will help them to reach their highest potential.

Other nine topics are deemed as bank-specific focal points. Hence, those topics are expected to be followed under three major topics and related objectives.

Material Topic	Focal Point	Objective
RELATIONS WITH CUSTOMERS	Digital Transformation and Innovation	To provide customers with user-friendly, accessible and environmental friendly products and services taking into consideration customer expectations and techno-trends.
	Responsible Customer Communication and Marketing Activities	To be honest, transparent and fair at all times in our relations with the customers as well as in providing them with products and services; to provide our customers with the most suitable products and services that will help them satisfy their needs, to maintain transparency in fees and commissions.
RELATIONS WITH SOCIETY & ENVIRONMENT	Sustainable Investment and Lending Processes; Sustainable Products and Services	To review our investment and lending processes within the scope of our sustainability goals and priorities.
	Social and Community Investment	To continue supporting social responsibility projects
	Responsible Procurement Policy	To review our procurement practices within the scope of our sustainability goals taking into consideration the environmental and social performance evaluation procedures of the vendors as well.
	Financial Inclusion	to provide the parts of the society who have limited access to financial services with products and services so that people from every part of the society can benefit from such products and services.
	Supporting SMEs and Entrepreneurship	To continue to support SMEs and entrepreneurs by providing them with products, services and credit opportunities that will respond their needs.
	Environmental Impacts of Our Operations	To determine our bank's Climate Change Strategy, in other words, to start necessary practices in order to detect direct and indirect impacts of our operations.
RELATIONS WITH EMPLOYEES	Talent Management	To continue discovering new talents and employ them; help them to improve their talents, focusing on retention as well; to provide our employees with new opportunities that will help them to reach their highest potential.

Ranking for Material Topics:

1. Talent Management
2. Responsible Customer Communication and Marketing Activities
3. Supporting SMEs and Entrepreneurship
4. Sustainable Investment and Lending Processes; Sustainable Products and Services
5. Digital Transformation and Innovation
6. Social and Community Investment
7. Financial Inclusion
8. Environmental Impacts of Our Operations
9. Responsible Procurement Policy



Stakeholder Engagement and Communication

We define any person or organization that has an influence on our operations, is affected by our operations, and has expectations from our Bank, as a stakeholder. Therefore, as we have set our sustainability approach and priorities, in the following term, we will try to respond to the needs of all our stakeholders.

Nevertheless, currently, as QNB Finansbank, we employ multiple methods and communication channels to maintain an open, honest and transparent engagement with all our stakeholders, enabling us to evaluate opinions and feedbacks to determine what we can do better.

Various communication channels exist, through which all our stakeholders may communicate their expectations from the Bank as well as share their opinions, suggestions and criticisms. Details of said channels are accessible at https://www.qnbfinansbank.com/sizi-dinliyoruz/default.aspx and https://www.qnbfinansbank.com/yatirimci-iliskileri/yatirimci-iletisimi.aspx. In addition, our internal communication platform, "Finansçı (Financier)", offers different communication channels which our employees may use to share their opinions, suggestions, reports, and feedbacks with relevant units and the senior management. The list of stakeholder groups which we communicate with regularly, as well as main communication methods are provided in the following table:

Key Stakeholder Groups and Communication Channels

Stakeholder Group	Frequency of Communication	Channels of Communication
Customers	Constant	Customer satisfaction survey, “Sizi Dinliyoruz (We Listen to You)” line, corporate website, dedicated corporate websites for specific products, services and campaigns, call center, corporate social media accounts, branches, Customer Experience Office activities.
Employees	Constant	Employee Satisfaction Survey, Artı1 Appreciation and Recognition System, Suggestion System, LEAP Employee Assistance Program, Employee Feedback Platform, Ombudsman, Reporting Line, Suspicious Transaction Reporting Line, “Finansçı (Financier)” Internal Communication Platform, Finarmoni Training Portal, announcements, trainings, seminars, conferences, FinClub Life Workshop events, Internal Customer Satisfaction Survey, Branch visits, senior management information e-mails across the Bank.
Shareholders and Investors	Annually and Quarterly, as needed	Investor Relations Unit activities, annual reports, investor presentations, investor meetings, Public Disclosure Platform (KAP) notifications.
Public Institutions	As needed	Audits, reports, official correspondence, meetings, conferences.
Non-Governmental Organizations	As needed	Social responsibility projects, sponsorships, “Volunteer Financiers” program
International Financial Institutions	Constant	Meetings, presentations, conferences
Media	As needed	Corporate website, press bulletins, announcements, advertisements, corporate social media accounts, interviews.
Suppliers	As needed	Meetings, audits, face-to-face meetings, purchasing processes (tenders etc.), corporate website.

Independent Auditor's Audit Report, Unconsolidated Financial Statements and Notes for the Year Ended December 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of QNB Finansbank Anonim Şirketi:

Report on the Audit of Unconsolidated Financial Statements

Qualified Opinion

We have audited the accompanying unconsolidated financial statements of QNB Finansbank A.Ş (the Bank), which comprise the statement of financial position as at December 31, 2017, and the unconsolidated statement of profit or loss accounted for under equity, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of QNB Finansbank A.Ş. as at December 31, 2017 and unconsolidated financial performance and unconsolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Accounting Standards (TAS) for the matters which are not regulated by these regulations.

Basis for Qualified Opinion

The Bank management has reversed the free provision in 2016 income statement amounting to thousand TL 100.000 which were provided for possible results of the circumstances which may arise from possible changes in the economy and market conditions" in prior periods and does not comply with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" requirements. Since such provision has been reversed in 2016 income statement instead of restating prior year financial statements, 2016 net income has been overstated by thousand TL 100.000.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section we have determined the matter described below to be the key audit matters to be communicated in our report.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
INDEPENDENT AUDITOR'S AUDIT REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2017

Key Audit Matter	How the Key Audit Matter is addressed in our audit
Impairment on Loans and Advances	
Impairment of loans and receivables is a key area of judgement for the management. There is a potential risk of provision that has been provided or that will be provided may not meet the requirements of BRSA Accounting and Financial Reporting Legislation. Aforementioned risk is a failure in identifying the loans and receivables which are impaired and not providing the adequate provision for these impaired loans. Therefore, impairment of the loans and receivables is considered as a key audit matter. Related explanations regarding the financial statement relating to the impairment of loans and advances have been disclosed in "Section Five Note I.6".	Our audit procedures included among others, selecting samples of loans and receivables based on our judgement in order to identify whether there is objective evidence that impairment exists on these loans and receivables and the assess the adequacy of provision for those loans and receivables in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation. In addition our audit procedures include assessing the relevant controls over granting, booking, monitoring and derecognition and testing the design and operational effectiveness of the key controls in place for identifying impaired loans and the calculation of provisions which were provided for them.
Hedge accounting	
As explained in "Section Five Note III.5", the Bank enters into hedge relationships to manage exposures to interest rate and foreign currency risks and applies hedge accounting. The Bank uses of derivatives and other hedge relationships to hedge the financial risk of its loans and receivables, financial assets available for sale, deposits, marketable securities issued, borrowings and non-financial assets. Hedge accounting is considered as a key audit matter due to the potential risks in complying the eligibility criteria defined in TAS 39: "Financial instruments: Recognition and Measurement", calculation of fair value of financial instruments, documentation and effectiveness of hedge accounting.	Our audit procedures included among others include re-calculation of fair values of derivative financial instruments, the assessment of financial risk component, reviewing the effectiveness , documentations of all hedge accounting transactions and controlling the accounting entries of hedge accounting.
Derivative Financial Instruments	
Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency options, currency futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in "Section Five Note I.2 and Note II.2". Fair value of the derivative financial instruments is determined by selecting the most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered as a key audit matter due to the subjectivity in the estimates, assumptions and judgements used.	Our audit procedures included among others include reviewing fair valuation policies adopted by Bank Management, re-calculation of samples basis fair values by our experts, assessing the estimations and judgements used in valuation and testing the assessment of operating effectiveness of the key controls in the process for fair value determination.

Responsibilities of Management and Directors for the Unconsolidated Financial Statements

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

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

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

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

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

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

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

  Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

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

Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 – December 31, 2017 are not in compliance with the laws and provisions of the Bank's articles of association in relation to financial reporting.

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited

Damla Harman, SMMM
Partner

February 3, 2017
İstanbul, Türkiye

QNB FİNANSBANK ANONİM ŞİRKETİ'NİN

THE UNCONSOLIDATED FINANCIAL REPORT OF FINANS BANK A.Ş. FOR THE YEAR-END PERIOD ENDED DECEMBER 31, 2017

The Bank's;

Address of the head office	:	Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL
Phone number	:	(0 212) 318 50 00
Facsimile number	:	(0 212) 318 58 50
Web page	:	www.qnbfinansbank.com
E-mail address	:	investor.relations@qnbfinansbank.com

The unconsolidated financial report for the year ended December 31, 2017, designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections below:

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

The unconsolidated financial statements and related disclosures and footnotes for the year ended December 31, 2017, are prepared in accordance with the Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying unconsolidated financial statements are presented in **thousands of Turkish Lira (TL).**

Ömer A. Aras
Chairman of
the Board of Directors

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

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

Fatma Abdulla S.S. Al-Suwaidi
YMember 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 report can be communicated:

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

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD END DECEMBER 31, 2017

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

INDEX

SECTION ONE
GENERAL INFORMATION

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

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

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

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Bank in previous periods, and Qatar National Bank (“QNB”) regarding the direct or indirect sales of NBG’s shares, owned by affiliates and current associations of the Bank, at the rate of 99,81% to QNB at a price of EUR 2.750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82,23%, 7,90%, 9,68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (Finans Yatırım Menkul Değerler A.Ş., Finans Portföy Yönetimi A.Ş., 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 Bank has decided to change the logo and the name of the company within the scope of the main shareholder change and brand strategies and the new logo 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 Bank’s trade name is changed from FINANS BANK A.Ş to QNB FINANSBANK A.Ş as of January 19, 2018.

99,88% of shares of QNB Finansbank A.Ş. are controlled by Qatar National Bank as of December 31, 2017 and remaining 0,12% of related shares are public shares.

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	Phd
Sinan Şahinbaş	Deputy Chairman and Executive Member	April 16, 2010	Masters
Ali Teoman Kerman	Board Member and Chairman of the Audit Committee	April 16, 2013	Masters
Ramzi Talat A. Mari	Board Member and Audit Committee Member	June 16, 2016	Masters
Fatma Abdulla S.S. Al-Suwaidi	Board Member and Audit Committee Member	June 23, 2016	Masters
Durmuş Ali Kuzu	Board Member and Audit Committee Member	August 25, 2016	Phd
Temel Güzeloğlu	Board Member and Genaral Manager	April 16, 2010	Masters
Abdulla Mubarak N.Alkhalifa	Board Member	June 23, 2016	Graduate
Assistant Prof. Osman Reha Yolalan	Board Member	June 21, 2016	Phd
Ali Rashid A.S.Al-Mohannadi	Board Member	June 16, 2016	Graduate
Noor Mohd J. A. Al-Naimi	Board Member	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
Özlem Cinemre	Executive Vice President	July 9, 1997	Graduate
Hakan Alp	Executive Vice President	July 7, 2010	Graduate
Erkin Aydın	Executive Vice President	May 16, 2011	Masters
Ömür Tan	Executive Vice President	October 28, 2011	Graduate
Halim Ersun Bilgici	Executive Vice President	March 15, 2013	Masters
Enis Kurtoğlu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Emel Yılmaz Özbay	Executive Vice President	Feb 12, 2016	Graduate
Engin Turhan	Executive Vice President	June 14, 2016	Masters
Ahmet Erzengin	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Bülent Yurdalan	Head of Department of Internal Systems	August 6, 2013	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters
Zeynep Aydın Demirkıran	Head of Risk Management	September 16, 2011	Masters

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

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

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

V. Explanations on the Bank’s services and activities

The Bank’s activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets and securities operations and credit card operations. In addition, the Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of December 31, 2017, the Bank operates through 578 domestic (December 31, 2016 – 628), 1 abroad (December 31, 2016 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2016 – 1) branches. As of December 31, 2017, the Bank has 12.007 employees (December 31, 2016 - 12.451 employees).

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

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

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

All other subsidiaries are fully consolidated.

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

None.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

I. Balance Sheet (Statement of Financial Position)

II. Statement of Off-Balance Sheet Commitments and Contingencies

III. Income Statement (Statement of Income / Loss)

IV. Statement of Profit and Loss Accounted for Under Equity (Statement of Other Comprehensive Income and Loss)

V. Statement of Changes in Shareholders' Equity

VI. Statement of Cash Flow

VII. Statement of unconsolidated profit appropriation

QNB FİNANSBANK ANONİM ŞİRKETİ

BALANCE SHEET AS OF DECEMBER 31, 2017
(STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET – ASSETS

		Section 5 Part II	Audited 31/12/2017 TL	FC	Total	Audited 31/12/2016 TL	FC	Total
I.	**CASH AND BALANCES WITH THE CENTRAL BANK**	**(1)**	**2.130.940**	**13.751.332**	**15.882.272**	**1.929.860**	**11.174.023**	**13.103.883**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)**	**(2)**	**2.284.916**	**252.410**	**2.537.326**	**2.603.817**	**211.858**	**2.815.675**
2.1	Financial assets held for trading		2.274.337	252.410	2.526.747	2.580.846	211.858	2.792.704
2.1.1	Public sector debt securities		16.093	8.355	24.448	5.950	11.486	17.436
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Assets on trading derivatives		2.258.244	244.055	2.502.299	2.574.896	200.372	2.775.268
2.1.4	Other securities		-	-	-	-	-	-
2.2	Financial assets at fair value through profit and loss		10.579	-	10.579	22.971	-	22.971
2.2.1	Public sector debt securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Loans		10.579	-	10.579	22.971	-	22.971
2.2.4	Other securities		-	-	-	-	-	-
III.	**BANKS**	**(3)**	**13.720**	**1.279.045**	**1.292.765**	**13.503**	**260.283**	**273.786**
IV.	**MONEY MARKET PLACEMENTS**		**115.504**	**-**	**115.504**	**1.547.549**	**-**	**1.547.549**
4.1	Interbank money market placements		1.029	-	1.029	-	-	-
4.2	Istanbul Stock Exchange money market placements		114.475	-	114.475	246.944	-	246.944
4.3	Receivables from reverse repurchase agreements	(4)	-	-	-	1.300.605	-	1.300.605
V.	**INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)**	**(5)**	**5.120.108**	**3.229.602**	**8.349.710**	**4.151.905**	**2.880.043**	**7.031.948**
5.1	Equity securities		4.912	70.891	75.803	4.225	44.961	49.186
5.2	Public sector debt securities		5.115.196	3.143.191	8.258.387	4.147.680	2.796.651	6.944.331
5.3	Other securities		-	15.520	15.520	-	38.431	38.431
VI.	**LOANS AND RECEIVABLES**	**(6)**	**63.442.004**	**19.230.476**	**82.672.480**	**50.044.814**	**12.855.446**	**62.900.260**
6.1	Loans and receivables		62.641.721	19.230.476	81.872.197	49.431.744	12.855.446	62.287.190
6.1.1	Loans to risk group of the Bank		253.581	78.113	331.694	167.228	98.076	265.304
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3.	Other		62.388.140	19.152.363	81.540.503	49.264.516	12.757.370	62.021.886
6.2	Non-performing loans		4.330.104	-	4.330.104	3.840.927	-	3.840.927
6.3	Specific provisions (-)		3.529.821	-	3.529.821	3.227.857	-	3.227.857
VII.	**FACTORING RECEIVABLES**		-	-	-	-	-	-
VIII.	**INVESTMENT SECURITIES HELD TO MATURITY (Net)**	**(7)**	**3.740.199**	**3.428.465**	**7.168.664**	**3.383.952**	**2.516.555**	**5.900.507**
8.1	Public sector debt securities		3.740.199	2.826.843	6.567.042	3.383.952	1.915.594	5.299.546
8.2	Other securities		-	601.622	601.622	-	600.961	600.961
IX.	**INVESTMENT IN ASSOCIATES (Net)**	**(8)**	**3.766**	**-**	**3.766**	**3.766**	**-**	**3.766**
9.1	Equity method associates		-	-	-	-	-	-
9.2	Unconsolidated		3.766	-	3.766	3.766	-	3.766
9.2.1	Financial Investments		-	-	-	-	-	-
9.2.2	Non-financial Investments		3.766	-	3.766	3.766	-	3.766
X.	**INVESTMENT IN SUBSIDIARIES (Net)**	**(9)**	**742.967**	**-**	**742.967**	**665.618**	**-**	**665.618**
10.1	Unconsolidated financial investments		724.921	-	724.921	647.572	-	647.572
10.2	Unconsolidated non-financial investments		18.046	-	18.046	18.046	-	18.046
XI.	**ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)**	**(10)**	**154.769**	**-**	**154.769**	**129.443**	**-**	**129.443**
11.1	Equity method entities under common control		-	-	-	-	-	-
11.2	Unconsolidated		154.769	-	154.769	129.443	-	129.443
11.2.1	Financial investments		151.969	-	151.969	126.643	-	126.643
11.2.2	Non-financial Investments		2.800	-	2.800	2.800	-	2.800
XII.	**LEASE RECEIVABLES (Net)**	**(11)**	-	-	-	-	-	-
12.1	Financial lease receivables		-	-	-	-	-	-
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		-	-	-	-	-	-
XIII.	**DERIVATIVE FINANCIAL ASSETS HEDGING PURPOSES**	**(12)**	**2.875.719**	**48.158**	**2.923.877**	**3.409.777**	**33.561**	**3.443.338**
13.1	Fair value hedge		1.964.761	14.483	1.979.244	2.346.595	18.509	2.365.104
13.2	Cash flow hedge		910.958	33.675	944.633	1.063.182	15.052	1.078.234
13.3	Hedging of a net investment in foreign subsidiaries		-	-	-	-	-	-
XIV.	**TANGIBLE ASSETS (Net)**	**(13)**	**1.937.691**	**43**	**1.937.734**	**1.833.271**	**48**	**1.833.319**
XV.	**INTANGIBLE ASSETS (Net)**	**(14)**	**329.097**	**-**	**329.097**	**280.166**	**-**	**280.166**
15.1	Goodwill		-	-	-	-	-	-
15.2	Others		329.097	-	329.097	280.166	-	280.166
XVI.	**INVESTMENT PROPERTIES (Net)**	**(15)**	-	-	-	-	-	-
XVII.	**TAX ASSETS**	**(16)**	**-**	**-**	**-**	**33.517**	**-**	**33.517**
17.1	Current tax assets		-	-	-	-	-	-
17.2	Deferred tax assets		-	-	-	33.517	-	33.517
XVIII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**(17)**	-	-	-	-	-	-
18.1	Assets held for sale		-	-	-	-	-	-
18.2	Discontinued operations		-	-	-	-	-	-
XIX.	**OTHER ASSETS**	**(18)**	**1.331.984**	**414.255**	**1.746.239**	**1.135.700**	**404.579**	**1.540.279**
	TOTAL ASSETS		**84.223.384**	**41.633.786**	**125.857.170**	**71.166.658**	**30.336.396**	**101.503.054**

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

QNB FİNANSBANK ANONİM ŞİRKETİ

BALANCE SHEET AS OF DECEMBER 31, 2017
(STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET – LIABILITIES AND EQUITY

		Section 5 Part II	Audited 31/12/2017 TL	FC	Total	Audited 31/12/2016 TL	FC	Total
I.	**DEPOSITS**	**(1)**	**34.622.366**	**33.019.129**	**67.641.495**	**31.546.849**	**22.391.851**	**53.938.700**
1.1	Deposits from risk group of the Bank		659.786	78.974	738.760	208.763	60.106	268.869
1.2	Other		33.962.580	32.940.155	66.902.735	31.338.086	22.331.745	53.669.831
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**(2)**	**1.871.878**	**198.892**	**2.070.770**	**2.387.017**	**214.921**	**2.601.938**
III.	**FUNDS BORROWED**	**(3)**	**114.947**	**16.158.820**	**16.273.767**	**101.236**	**10.656.671**	**10.757.907**
IV.	**MONEY MARKET BORROWINGS**		**1.858.565**	**4.631.256**	**6.489.821**	**2.995.752**	**3.519.709**	**6.515.461**
4.1	Interbank money markets takings		-	-	-	1.500.708	-	1.500.708
4.2	Istanbul Stock Exchange money markets takings		50.000	-	50.000	-	-	-
4.3	Funds provided under repurchase agreements	(4)	1.808.565	4.631.256	6.439.821	1.495.044	3.519.709	5.014.753
V.	**SECURITIES ISSUED (Net)**	**(5)**	**3.079.753**	**4.833.817**	**7.913.570**	**1.124.543**	**3.187.028**	**4.311.571**
5.1	Bills		2.975.932	57.156	3.033.088	1.124.543	53.683	1.178.226
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		103.821	4.776.661	4.880.482	-	3.133.345	3.133.345
VI.	**FUNDS**		-	-	-	-	-	-
6.1	Borrower funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	**SUNDRY CREDITORS**		**2.637.390**	**3.257.730**	**5.895.120**	**2.212.951**	**4.389.726**	**6.602.677**
VIII.	**OTHER LIABILITIES**	**(6)**	**574.219**	**277.455**	**851.674**	**858.329**	**170.008**	**1.028.337**
IX.	**FACTORING PAYABLES**		-	-	-	-	-	-
X.	**LEASE PAYABLES (Net)**	**(7)**	**47**	**6.652**	**6.699**	**273**	**667**	**940**
10.1	Financial lease payables		70	7.310	7.380	322	728	1.050
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred financial lease expenses (-)		23	658	681	49	61	110
XI.	**DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES**	**(8)**	**296.819**	**232.504**	**529.323**	**196.239**	**230.489**	**426.728**
11.1	Fair value hedge		16.615	197.837	214.452	-	190.559	190.559
11.2	Cash flow hedge		280.204	34.667	314.871	196.239	39.930	236.169
11.3	Hedge of net investments in foreign subsidiaries		-	-	-	-	-	-
XII.	**PROVISIONS**	**(9)**	**2.060.459**	**-**	**2.060.459**	**1.768.642**	**-**	**1.768.642**
12.1	General provisions		1.396.268	-	1.396.268	1.288.394	-	1.288.394
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		357.044	-	357.044	276.595	-	276.595
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions		307.147	-	307.147	203.653	-	203.653
XIII.	**TAX LIABILITY**	**(10)**	**458.233**	**-**	**458.233**	**188.032**	**-**	**188.032**
13.1	Current tax liability		405.169	-	405.169	188.032	-	188.032
13.2	Deferred tax liability		53.064	-	53.064	-	-	-
XIV.	**PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)**	**(11)**	-	-	-	-	-	-
14.1	Held for sale		-	-	-	-	-	-
14.2	Discontinued operations		-	-	-	-	-	-
XV.	**SUBORDINATED LOANS**	**(12)**	**-**	**3.510.837**	**3.510.837**	**-**	**3.235.793**	**3.235.793**
XVI.	**SHAREHOLDERS' EQUITY**		**12.308.551**	**(153.149)**	**12.155.402**	**10.499.697**	**(373.369)**	**10.126.328**
16.1	Paid-in capital	(13)	3.350.000	-	3.350.000	3.150.000	-	3.150.000
16.2	Capital reserves		481.633	(153.149)	328.484	276.220	(373.369)	(97.149)
16.2.1	Share Premium	(14)	714	-	714	714	-	714
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Securities value increase fund	(15)	335.581	(176.412)	159.169	275.394	(379.478)	(104.084)
16.2.4	Revaluation fund on tangible asset		-	-	-	-	-	-
16.2.5	Revaluation fund on intangible asset		-	-	-	-	-	-
16.2.6	Investment property revaluation differences		-	-	-	-	-	-
16.2.7	Bonus shares obtained from associates, subsidiaries and entities under common control (joint ventures)		2.689	-	2.689	2.689	-	2.689
16.2.8	Hedging funds (effective portion)		208.629	23.263	231.892	39.442	6.109	45.551
16.2.9	Accumulated valuation differences from assets held for sale and discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		(65.980)	-	(65.980)	(42.019)	-	(42.019)
16.3	Profit reserves		6.873.477	-	6.873.477	5.870.067	-	5.870.067
16.3.1	Legal reserves		504.698	-	504.698	444.527	-	444.527
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		6.368.779	-	6.368.779	5.425.540	-	5.425.540
16.3.4	Other profit reserves		-	-	-	-	-	-
16.4	Profit or loss		1.603.441	-	1.603.441	1.203.410	-	1.203.410
16.4.1	Prior years' income/ (losses)		-	-	-	-	-	-
16.4.2	Current period income/ (loss)		1.603.441	-	1.603.441	1.203.410	-	1.203.410
	TOTAL LIABILITIES AND EQUITY		**59.883.227**	**65.973.943**	**125.857.170**	**53.879.560**	**47.623.494**	**101.503.054**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2017 (STATEMENT OF INCOME/LOSS)
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

		Section 5 Part III	Audited 31/12/2017 TL	Audited 31/12/2017 FC	Audited 31/12/2017 Total	Audited 31/12/2016 TL	Audited 31/12/2016 FC	Audited 31/12/2016 Total
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**133.468.990**	**133.002.912**	**266.471.902**	**107.724.136**	**100.291.889**	**208.016.025**
I.	**GUARANTEES**	(1), (2), (3),(4)	**8.839.416**	**10.475.633**	**19.315.049**	**7.171.006**	**6.013.004**	**13.184.010**
1.1.	Letters of guarantee		8.818.479	5.700.387	14.518.866	7.158.585	3.648.130	10.806.715
1.1.1.	Guarantees subject to State Tender Law		426.846	30.598	457.444	310.573	36.451	347.024
1.1.2.	Guarantees given for foreign trade operations		4.699.770	5.669.789	10.369.559	3.527.000	3.611.679	7.138.679
1.1.3.	Other letters of guarantee		3.691.863	-	3.691.863	3.321.012	-	3.321.012
1.2.	Bank loans		19.991	2.992.901	3.012.892	7.421	1.248.056	1.255.477
1.2.1.	Import letter of acceptance		19.991	2.992.901	3.012.892	7.421	1.248.056	1.255.477
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		946	1.782.345	1.783.291	5.000	1.116.818	1.121.818
1.3.1.	Documentary letters of credit		946	1.713.499	1.714.445	5.000	1.084.124	1.089.124
1.3.2.	Other letters of credit		-	68.846	68.846	-	32.694	32.694
1.4.	Prefinancing given as guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other endorsements		-	-	-	-	-	-
1.6.	Securities issue purchase guarantees		-	-	-	-	-	-
1.7.	Factoring guarantees		-	-	-	-	-	-
1.8.	Other guarantees		-	-	-	-	-	-
1.9.	Other collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**		**51.243.772**	**2.408.863**	**53.652.635**	**39.611.999**	**1.954.418**	**41.566.417**
2.1.	Irrevocable commitments	(1)	31.229.725	2.408.863	33.638.588	39.371.199	1.954.418	41.325.617
2.1.1.	Forward asset purchase commitments		992.621	1.883.881	2.876.502	355.574	860.966	1.216.540
2.1.2.	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-	30.000	-	30.000
2.1.4.	Loan granting commitments		9.774.194	381	9.774.575	19.364.771	353	19.365.124
2.1.5.	Securities underwriting commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Payment commitment for checks		2.754.045	-	2.754.045	2.707.388	-	2.707.388
2.1.8.	Tax and fund liabilities from export commitments		15.358	-	15.358	10.267	-	10.267
2.1.9.	Commitments for credit card expenditure limits		17.115.833	-	17.115.833	16.396.189	-	16.396.189
2.1.10.	Commitments for promotions related with credit cards and banking activities		45.880	-	45.880	19.721	-	19.721
2.1.11.	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		531.794	524.601	1.056.395	487.289	1.093.099	1.580.388
2.2.	Revocable commitments		20.014.047	-	20.014.047	240.800	-	240.800
2.2.1.	Revocable loan granting commitments		20.014.047	-	20.014.047	240.800	-	240.800
2.2.2.	Other revocable commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	(5), (6)	**73.385.802**	**120.118.416**	**193.504.218**	**60.941.131**	**92.324.467**	**153.265.598**
3.1	Derivative financial instruments for hedging purposes		21.810.180	31.752.593	53.562.773	16.730.698	21.068.526	37.799.224
3.1.1	Fair value hedge		4.973.074	13.303.877	18.276.951	3.456.411	11.638.573	15.094.984
3.1.2	Cash flow hedge		16.837.106	18.448.716	35.285.822	13.274.287	9.429.953	22.704.240
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		51.575.622	88.365.823	139.941.445	44.210.433	71.255.941	115.466.374
3.2.1	Forward foreign currency buy/sell transactions		4.523.196	6.139.645	10.662.841	4.118.082	6.260.934	10.379.016
3.2.1.1	Forward foreign currency transactions-buy		1.583.405	3.700.991	5.284.396	2.683.949	2.466.591	5.150.540
3.2.1.2	Forward foreign currency transactions-sell		2.939.791	2.438.654	5.378.445	1.434.133	3.794.343	5.228.476
3.2.2	Swap transactions related to foreign currency and interest rates		43.402.634	77.385.816	120.788.450	35.589.750	58.950.398	94.540.148
3.2.2.1	Foreign currency swap-buy		20.224.643	30.250.673	50.475.316	15.367.108	23.909.128	39.276.236
3.2.2.2	Foreign currency swap-sell		23.177.991	26.854.475	50.032.466	18.682.642	20.320.208	39.002.850
3.2.2.3	Interest rate swaps-buy		-	10.140.334	10.140.334	770.000	7.360.531	8.130.531
3.2.2.4	Interest rate swaps-sell		-	10.140.334	10.140.334	770.000	7.360.531	8.130.531
3.2.3	Foreign currency, interest rate and securities options		3.626.434	4.025.073	7.651.507	4.502.601	5.087.199	9.589.800
3.2.3.1	Foreign currency options-buy		1.485.641	2.325.582	3.811.223	2.355.495	2.402.267	4.757.762
3.2.3.2	Foreign currency options-sell		2.140.793	1.699.491	3.840.284	2.147.106	2.684.932	4.832.038
3.2.3.3	Interest rate options-buy		-	-	-	-	-	-
3.2.3.4	Interest rate options-sell		-	-	-	-	-	-
3.2.3.5	Securities options-buy		-	-	-	-	-	-
3.2.3.6	Securities options-sell		-	-	-	-	-	-
3.2.4	Foreign currency futures		23.358	186.573	209.931	-	74.460	74.460
3.2.4.1	Foreign currency futures-buy		23.358	81.855	105.213	-	37.230	37.230
3.2.4.2	Foreign currency futures-sell		-	104.718	104.718	-	37.230	37.230
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-	-	-	-
3.2.6	Other		-	628.716	628.716	-	882.950	882.950
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**616.043.148**	**110.258.036**	**726.301.184**	**518.509.096**	**88.699.243**	**607.208.339**
IV.	**ITEMS HELD IN CUSTODY**		**10.275.742**	**1.561.318**	**11.837.060**	**8.741.145**	**2.223.883**	**10.965.028**
4.1.	Assets under management		3.057.959	-	3.057.959	4.509.095	-	4.509.095
4.2.	Investment securities held in custody		1.916.543	637.461	2.554.004	263.988	1.348.273	1.612.261
4.3.	Checks received for collection		4.120.187	423.509	4.543.696	3.047.124	416.731	3.463.855
4.4.	Commercial notes received for collection		1.181.053	198.922	1.379.975	920.938	192.617	1.113.555
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		-	301.426	301.426	-	266.262	266.262
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**369.834.726**	**64.199.119**	**434.033.845**	**320.129.826**	**47.175.906**	**367.305.732**
5.1.	Marketable securities		1.973.989	6.076.387	8.050.376	1.059.127	3.186.362	4.245.489
5.2.	Guarantee notes		338.396	110.531	448.927	201.294	76.487	277.781
5.3.	Commodity		58.875	-	58.875	61.743	-	61.743
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		85.341.634	36.591.013	121.932.647	78.296.557	25.750.041	104.046.598
5.6.	Other pledged items		282.121.832	21.421.188	303.543.020	240.511.105	18.163.016	258.674.121
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**235.932.680**	**44.497.599**	**280.430.279**	**189.638.125**	**39.299.454**	**228.937.579**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**749.512.138**	**243.260.948**	**992.773.086**	**626.233.232**	**188.991.132**	**815.224.364**

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2017 (STATEMENT OF INCOME/LOSS)
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

III. INCOME STATEMENT

		Section 5 Part IV	Audited 01.01 – 31.12.2017	Audited 01.01 – 31.12.2016
I.	**INTEREST INCOME**	(1)	**10.934.836**	**8.720.486**
1.1	Interest on loans		9.319.852	7.735.476
1.2	Interest received from reserve deposits		113.120	52.930
1.3	Interest received from banks		200.243	9.917
1.4	Interest received from money market placements		54.185	74.670
1.5	Interest received from marketable securities portfolio		1.241.311	842.488
1.5.1	Held-for-trading financial assets		5.344	3.248
1.5.2	Financial assets at fair value through profit and loss		1.898	4.450
1.5.3	Available-for-sale financial assets		617.790	483.872
1.5.4	Investments held-to-maturity		616.279	350.918
1.6	Finance lease income		-	-
1.7	Other interest income		6.125	5.005
II.	**INTEREST EXPENSE**	(2)	**5.283.235**	**4.216.383**
2.1	Interest on deposits		4.069.753	3.293.772
2.2	Interest on funds borrowed		596.917	342.535
2.3	Interest on money market borrowings		164.327	287.486
2.4	Interest on securities issued		438.658	279.722
2.5	Other interest expense		13.580	12.868
III.	**NET INTEREST INCOME (I - II)**		**5.651.601**	**4.504.103**
IV.	**NET FEES AND COMMISSIONS INCOME**		**1.685.893**	**1.362.603**
4.1	Fees and commissions received		2.048.989	1.684.192
4.1.1	Non-cash loans		84.629	69.602
4.1.2	Other		1.964.360	1.614.590
4.2	Fees and commissions paid		363.096	321.589
4.2.1	Non-cash loans		1.220	1.159
4.2.2	Other		361.876	320.430
V.	**DIVIDEND INCOME**	(3)	**14.499**	**57**
VI.	**NET TRADING INCOME**	(4)	**(1.234.157)**	**(677.047)**
6.1	Securities trading gains/ (losses)		4.000	13.989
6.2	Gains / (losses) from financial derivatives transactions		(1.257.498)	(713.488)
6.3	Foreign exchange gains/ (losses)		19.341	22.452
VII.	**OTHER OPERATING INCOME**	(5)	**131.780**	**410.535**
VIII.	**NET OPERATING INCOME (III+IV+V+VI+VII)**		**6.249.616**	**5.600.251**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	(6)	**1.233.440**	**1.315.946**
X.	**OTHER OPERATING EXPENSES (-)**	(7)	**2.967.211**	**2.800.484**
XI.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**2.048.965**	**1.483.821**
XII.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		**-**	**-**
XIII.	**GAIN / (LOSS) ON EQUITY METHOD**		**-**	**-**
XIV.	**GAIN / (LOSS) ON NET MONETARY POSITION**		**-**	**-**
XV.	**PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)**	(8)	**2.048.965**	**1.483.821**
XVI.	**TAX CHARGE FOR CONTINUED OPERATIONS (±)**	(9)	**(445.524)**	**(280.411)**
16.1	Current income tax charge		(446.266)	(182.485)
16.2	Deferred tax charge / benefit		742	(97.926)
XVII.	**NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)**	(10)	**1.603.441**	**1.203.410**
XVIII.	**INCOME ON DISCONTINUED OPERATIONS**		**-**	**-**
18.1	Income on assets held for sale		-	-
18.2	Income on sale of associates, subsidiaries and entities under common control		-	-
18.3	Income on other discontinued operations		-	-
XIX.	**LOSS FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
19.1	Loss from assets held for sale		-	-
19.2	Loss on sale of associates, subsidiaries and entities under common control		-	-
19.3	Loss from other discontinued operations		-	-
XX.	**PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)**	(8)	**-**	**-**
XXI.	**TAX CHARGE FOR DISCONTINUED OPERATIONS (±)**	(9)	**-**	**-**
21.1	Current income tax charge		-	-
21.2	Deferred tax charge / benefit		-	-
XXII.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)**	(10)	**-**	**-**
XXIII	**NET PROFIT/LOSS (XVII+XXII)**	(11)	**1.603.441**	**1.203.410**
	Earnings per share		0,04786	0,03592

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

QNB FİNANSBANK ANONİM ŞİRKETİ

STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2017 (STATEMENT OF OTHER COMPREHENSIVE INCOME / LOSS)

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

IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

		Audited 01.01 – 31.12.2017	Audited 01.01 – 31.12.2016
I.	**ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS**	**305.348**	**(111.192)**
II.	**TANGIBLE ASSETS REVALUATION DIFFERENCES**	**-**	**-**
III.	**INTANGIBLE ASSETS REVALUATION DIFFERENCES**	**-**	**-**
IV.	**FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS**	**-**	**-**
V.	**PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective Portion of Fair Value Differences)**	**239.675**	**(44.530)**
VI.	**PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (Effective Portion of Fair Value Differences)**	**-**	**-**
VII.	**THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES**	**-**	**-**
VIII.	**OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS**	**(32.067)**	**2.389**
IX.	**DEFERRED TAX OF VALUATION DIFFERENCES**	**(87.323)**	**52.475**
X.	**TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)**	**425.633**	**(100.858)**
XI.	**PROFIT/LOSS**	**1.603.441**	**1.203.410**
11.1	Change in fair value of marketable securities (Transfer to Profit/Loss)	5.073	15.452
11.2	Reclassification and transfer of derivatives accounted for cash flow hedge purposes recycled to Income Statement	(1.327)	18.624
11.3	Transfer of hedge of net investments in foreign operations recycled to Income Statement	-	-
11.4	Other	1.599.695	1.169.334
XII.	**TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)**	**2.029.074**	**1.102.552**

The accompanying notes are an integral part of these financial statement

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

QNB FİNANSBANK ANONİM ŞİRKETİ

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2017

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Audited	Section 5 Part V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity
	Prior period – 01.01 – 31.12.2016																	
I.	**Beginning balance**		3.000.000	-	714	-	409.238	-	4.905.057	(43.930)	-	705.772	(36.939)	-	2.689	81.175	-	9.023.776
II.	**Correction made as per TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted balances at beginning of the period (I+II)**		3.000.000	-	714	-	409.238	-	4.905.057	(43.930)	-	705.772	(36.939)	-	2.689	81.175	-	9.023.776
	Changes in period																	
IV.	**Increase/decrease related to merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Marketable securities valuation differences**	(1)	-	-	-	-	-	-	-	-	-	-	(67.145)	-	-	-	-	(67.145)
VI.	**Hedging funds (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	(35.624)	-	(35.624)
6.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(35.624)	-	(35.624)
6.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Tangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Intangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Bonus shares obtained from associates, subsidiaries and entities under common control**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Foreign exchange differences**	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**The disposal of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**The reclassification of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**The effect of change in associates' equity**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Capital increase**	(5)	150.000	-	-	-	-	-	(150.000)	-	-	-	-	-	-	-	-	-
14.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources		150.000	-	-	-	-	-	(150.000)	-	-	-	-	-	-	-	-	-
XV.	**Share issue**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	**Inflation adjustment to paid-in capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	**Other**		-	-	-	-	-	-	-	1.911	-	-	-	-	-	-	-	1.911
XIX.	**Period net income/(loss)**		-	-	-	-	-	-	-	-	1.203.410	-	-	-	-	-	-	1.203.410
XX.	**Profit distribution**	(3)	-	-	-	-	35.289	-	670.483	-	-	(705.772)	-	-	-	-	-	-
20.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to reserves		-	-	-	-	35.289	-	670.483	-	-	(705.772)	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance (III+IV+V+...+XVII+XIX+XX)		3.150.000	-	714	-	444.527	-	5.425.540	(42.019)	1.203.410	-	(104.084)	-	2.689	45.551	-	10.126.328

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

QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2017

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Audited	Section 5 Part V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity
	Current period – 01.01 – 31.12.2017																	
I.	**Beginning balance**		3.150.000	-	714	-	444.527	-	5.425.540	(42.019)	-	1.203.410	(104.084)	-	2.689	45.551	-	10.126.328
	Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	**Increase/decrease related to merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable securities valuation differences**	(1)	-	-	-	-	-	-	-	-	-	-	263.253	-	-	-	-	263.253
IV.	**Hedging funds (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	186.341	-	186.341
4.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	186.341	-	186.341
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Tangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Intangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus shares obtained from associates, subsidiaries and entities under common control**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Foreign exchange differences**	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**The disposal of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**The reclassification of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**The effect of change in associates' equity**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**Capital increase**	(5)	200.000	-	-	-	-	-	(200.000)	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		200.000	-	-	-	-	-	(200.000)	-	-	-	-	-	-	-	-	-
XIII.	**Share issue**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Inflation adjustment to paid-in capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-	-	(23.961)	-	-	-	-	-	-	-	(23.961)
XVII.	**Period net income/(loss)**		-	-	-	-	-	-	-	-	1.603.441	-	-	-	-	-	-	1.603.411
XVIII.	**Profit distribution**	(3)	-	-	-	-	60.171	-	1.143.239	-	-	(1.203.410)	-	-	-	-	-	-
18.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	60.171	-	1.143.239	-	-	(1.203.410)	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance (I+II+III+...+XVI+XVII+XVIII)		3.350.000	-	714	-	504.698	-	6.368.779	(65.980)	1.603.441	-	159.169	-	2.689	231.892	-	12.155.402

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

QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2017

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

VI. STATEMENT OF CASH FLOWS

		Section 5 Part VI	Audited 01.01 – 31.12.2017	Audited 01.01 – 31.12.2016
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities (+)**		**3.426.451**	**3.442.329**
1.1.1	Interest received (+)		10.061.230	8.541.236
1.1.2	Interest paid (-)		(5.004.761)	(4.174.654)
1.1.3	Dividend received (+)		14.499	57
1.1.4	Fees and commissions received (+)		2.026.657	1.671.883
1.1.5	Other income (+)		117.927	376.262
1.1.6	Collections from previously written off loans (+)		982.492	907.440
1.1.7	Payments to personnel and service suppliers (-)		(2.252.910)	(2.029.276)
1.1.8	Taxes paid (-)		(470.625)	(164.836)
1.1.9	Others (+/-)	(1)	(2.048.058)	(1.685.783)
1.2	**Changes in operating assets and liabilities**		**(4.806.198)**	**2.862.111**
1.2.1	Net (increase) decrease in financial assets held for trading (+/-)		(6.281)	10.074
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss (+/-)		(3.218)	91.140
1.2.3	Net (increase) decrease in due from banks (+/-)		(2.184.514)	(2.511.491)
1.2.4	Net (increase) decrease in loans (+/-)		(17.878.605)	(3.041.790)
1.2.5	Net (increase) decrease in other assets (+/-)	(1)	(446.374)	(569.698)
1.2.6	Net increase (decrease) in bank deposits (+/-)		443.066	465.417
1.2.7	Net increase (decrease) in other deposits (+/-)		11.285.428	1.573.461
1.2.8	Net increase (decrease) in funds borrowed (+/-)		4.634.756	3.818.466
1.2.9	Net increase (decrease) in matured payables (+/-)		-	-
1.2.10	Net increase (decrease) in other liabilities (+/-)	(1)	(650.456)	3.026.532
I.	**Net cash provided from / (used in) banking operations (+/-)**		**(1.379.747)**	**6.304.440**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from / (used in) investing activities (+/-)**		**(1.805.317)**	**(3.230.123)**
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries (-)		(30.000)	(248.078)
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries (+)		-	-
2.3	Fixed assets purchases (-)		(134.565)	(157.336)
2.4	Fixed assets sales (+)		433	1.084
2.5	Cash paid for purchase of financial assets available for sale (-)		(2.498.677)	(2.337.470)
2.6	Cash obtained from sale of financial assets available for sale (+)		1.708.781	1.113.305
2.7	Cash paid for purchase of investment securities (-)		(829.915)	(1.478.607)
2.8	Cash obtained from sale of investment securities (+)		140.075	-
2.9	Others (+/-)	(1)	(161.449)	(123.021)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from / (used in) financing activities (+/-)**		**3.385.578**	**(1.057.597)**
3.1	Cash obtained from funds borrowed and securities issued (+)		4.536.797	1.976.423
3.2	Cash used for repayment of funds borrowed and securities issued (-)		(1.149.648)	(3.032.992)
3.3	Capital increase (+)		-	-
3.4	Dividends paid (-)		-	-
3.5	Payments for finance leases (-)		(1.571)	(1.028)
3.6	Other (+/-)		-	-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents (+/-)**		**1.900**	**92.080**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**	(2)	**202.414**	**2.108.800**
VI.	**Cash and cash equivalents at beginning of the period (+)**	(3)	**5.750.384**	**3.641.584**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**5.952.798**	**5.750.384**

The accompanying notes are an integral part of these financial statements

QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF UNCONSOLIDATED PROFIT APPROPRIATION STATEMENT
FOR THE PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VII. STATEMENT OF UNCONSOLIDATED PROFIT APPROPRIATION (*)

		Audited 31.12.2017(*)	Audited 31.12.2016
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	Current Year Income	2.048.965	1.483.821
1.2	Taxes And Duties Payable (-)	445.524	280.411
1.2.1	Corporate Tax (Income Tax)	446.266	182.485
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes And Duties(**)	(742)	97.926
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**1.603.441**	**1.203.410**
1.3	Prior Year Losses(-)	-	-
1.4	First Legal Reserves(-)	-	60.171
1.5	Other Statutory Reserves (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**1.603.441**	**1.143.239**
1.6	First Dividend To Shareholders(-)	-	157.500
1.6.1	To Owners Of Ordinary Shares	-	157.500(***)
1.6.2	To Owners Of Privileged Shares	-	-
1.6.3	To Owners Of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders Of Profit And (Loss) Sharing Certificates	-	-
1.7	Dividends To Personnel (-)	-	-
1.8	Dividends To Board Of Directors (-)	-	-
1.9	Second Dividend To Shareholders(-)	-	-
1.9.1	To Owners Of Ordinary Shares	-	-
1.9.2	To Owners Of Privileged Shares	-	-
1.9.3	To Owners Of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders Of Profit And (Loss) Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	-
1.11	Statutory Reserves(-)	-	-
1.12	Extraordinary Reserves	-	985.739
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends To Shareholders(-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Privileged Shares	-	-
2.3.3	To Owners Of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And (Loss) Sharing Certificates	-	-
2.4	Dividends To Personnel(-)	-	-
2.5	Dividends To Board Of Directors(-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	To Owners Of Ordinary Shares	0,04786	0,03820
3.2	To Owners Of Ordinary Shares(%)	4,79%	3,82%
3.3	To Owners Of Privileged Shares	-	-
3.4	To Owners Of Privileged Shares (%)	-	-
IV.	**DIVIDEND PER SHARE**	-	-
4.1	To Owners Of Ordinary Shares	-	-
4.2	To Owners Of Ordinary Shares(%)	-	-
4.3	To Owners Of Privileged Shares	-	-
4.4	To Owners Of Privileged Shares (%) -	-	

(*) Decision regarding the profit distribution for the 2017 will be taken at the General Meeting.
(**) Since it is considered that the income amounts related to deferred tax assets will not be considered as cash or internal resources and therefore the portion of the profit attributable to the subject matter of the period should not be subject to profit distribution and capital increase, deferred tax assets amounting to TL 742 as of December 31, 2017 will not be subject to profit distribution.
(***) Distributed to the shareholders as bonus shares.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

The Bank maintains its books of account in accordance with the Banking Law No. 5411, which was published in the Official Gazette No. 25983 dated 1 November 2005. The Bank prepared the accompanying unconsolidated 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 ("KGK"), 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"). The format and detail of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué.

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

Explanation for Convenience Translation to English

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

2. Classifications

None.

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

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, the requirements of TAS and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2016. The amendments of TAS and TFRS, effective as of January 1, 2017, have no material impact on the Bank's counting policies, financial position and performance. The aforementioned accounting policies and valuation principles are explained in Notes II to XXV below.

The financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value, which are financial assets designated at fair value through profit or loss, available for sale financial assets, subsidiaries, joint ventures, trading derivative financial assets, and hedging 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 TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent matters as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

The amendments of TAS and TFRS, except TFRS 9 Financial Instruments (2017 version), which have been published as of reporting date but have not been effective yet, have no material impact on the accounting policies, financial condition and performance of the Bank.

TFRS 9 'Financial Instruments' (2017 version) has been published in the Official Gazette no. 29953 dated 19 January 2017 which will be effective from periods beginning on after 1 January 2018. The general purpose of the Standard is to specify the financial reporting principles for financial assets and financial liabilities to the users of the financial statements to present appropriate and useful information to evaluate amount, timing and uncertainty of the Bank's future cash flows.

Classification of Financial Assets

TFRS 9 classifies financial assets over amortized cost with considering business model and future cash flows features or by reflecting the other comprehensive income or by reflecting the fair value change in profit or loss.

Impairment

Provision for losses are provided regarding expected loan losses for financial assets which recognized at amortized cost and fair value under equity, loan commitments and financial guarantee agreements within the scope of TFRS 9. The Bank evaluates whether there has been a significant increase in the credit risk of the financial instrument since its first acquisition in the financial statements at each reporting date. If there is a significant increase in the credit risk of a financial instrument since its first acquisition in the financial statements, the Bank measures the provision at an amount of the expected lifetime loan losses at each reporting date. The Bank will classify the financial asset as the first stage if the credit risk of financial instrument has not increased significantly since its first acquisition in the financial statements and the Bank measures the provision at an amount of 12 months expected loan losses at each reporting date. The purpose of impairment, taking into lifetime loan losses to the financial statements as individual or group for all financial instruments that have significant increases in the credit risk of the financial instrument since its first acquisition in the financial statements with considering all supportable information including prudential.

Hedge Accounting

The purpose of hedge accounting; presentation of effects of risk management activities to manage specific risks which could affect income or loss (or other comprehensive income, which fair value changes presented in other comprehensive income subject to equity instruments investments). This approach aims to transfer the content of the hedge accounting to ensure that the purpose and effect of the hedging instruments is understood. The Bank will continue to apply the hedge accounting rules in TAS 39 as an accounting policy. Hedge accounting rules will be applied prospectively.

The effects of TFRS 9 on prior period financial statements are being evaluated and the limited effect on the Bank's equity is expected to be between 1% and 2% as of December 31, 2017.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

1. Strategy for the use of financial instruments

The major funding sources of the 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 repriced at an average period of 3-6 months. The Bank diverts its placements to assets with high return and sufficient collaterals. The Bank manages the liquidity structure to meet its liabilities when due by diversifying the funding sources and keeping sufficient cash and cash equivalents. The maturity of fund sources and maturity and yield of placements are considered to the extent possible within the current market conditions and higher return on long-term placements is aimed.

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

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

The strategies for hedging exchange rate risk resulting from the Bank's foreign currency available-for- sale debt securities are explained in foreign currency risk section and the applications regarding the cash flow hedging of interest rate cash flow risk resulting from deposits are explained in the Interest Rate Risk section in detail.

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

2. Foreign currency transactions

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

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed as of December 31, 2017 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Bank for the year end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Bank's foreign currency exchange rates for the related year ends are as follows:

	December 31, 2017	December 31, 2016
US Dollar	TL 3,8104	TL 3,5318
Euro	TL 4,5478	TL 3,6939

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

As of December 31, 2017, the net gain on exchange included in net profit is TL 19.341 (December 31, 2016 – TL 22.452 net profit on exchange).

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

Associates and Entities Under Common Control are recognized in the framework of TAS 39 "Financial Instruments: Turkish Accounting Standards related to Recognition and Measurement" in accordance with TAS 27 "Individual Financial Statements" and TAS 28 "Investments in Subsidiaries and Associates" standards while subsidiaries are recognized based on cost principle.

IV. Explanations on forwards, option contracts and derivative instruments

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

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

In accordance with TAS 39 "Financial Instruments: Recognition and Measurement", derivative instruments are categorized as "hedging purpose" or "trading purpose" transactions. Derivatives are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Assets on Trading Derivatives" ,"Liabilities on Trading Derivatives" or "Assets on Hedging Purpose Derivatives" and "Liabilities on Hedging Purpose Derivatives" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts of derivative transactions presented on the balance sheet, represent the fair value differences based on the valuation. Fair values of forward foreign currency purchase and sales contracts, currency and interest rate swap transactions are calculated by using internal pricing models based on market data. Unrealized gains and losses are reflected in the income statement in the current period.

Fair values of option contracts are calculated with option pricing models and the resulting unrealized gains and losses are reflected in the current period income statement.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Futures transactions are accounted for at settlement as of the balance sheet date and related unrealized gains and losses are presented in the current period income statement.

Fair value of credit default swaps is calculated using internal pricing models based on market data and related unrealized gains and losses are reflected in the current period income statement.

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

In cash flow hedge accounting:

The Bank applies cash flow hedge accounting using interest swap transactions to hedge its TL and FC customer deposits with short term cyclical basis and subordinated loans which have floating interest payment. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

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

In fair value hedge accounting:

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

The Bank applies fair value hedge accounting using FX swap transactions to hedge long term, fixed rate, foreign currency Eurobonds in available for sale financial assets portfolio against interest rate fluctuations.

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the long term government bonds with fixed coupon in available for sale financial assets portfolio using swap transactions as hedging instruments. The Bank performs hedge effectiveness tests at each balance sheet date.

Information on Eurobond, TL government bonds and loan portfolio, recognized as fair value hedged items, is presented in Section 3, Footnote VII. 2 and 4.

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued by the Bank using interest rate swap transactions as hedging instruments. The Bank performs hedge effectiveness tests at each balance sheet date.

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

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

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

V. Explanations on Interest Income and Expenses

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate method. In accordance with the related regulation, the interest receivables of non-performing loans are cancelled and not recorded as interest income until collected.

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Assets

Financial assets comprise cash and cash equivalents and the contractual right to obtain cash or another financial asset from counterparty or to exchange financial assets with counterparty or the equity instrument transactions of the counterparty. Financial assets are classified in four categories; as "Financial Assets at Fair Value through Profit or Loss", "Investment Securities Available-For-Sale", "Investment Securities Held-To-Maturity", and "Loans And Other Receivables". The classification of the financial assets is determined at the initial inception of the related financial assets.

1. Financial assets at fair value through profit or loss

1.1. Trading securities

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

1.2. Financial assets at fair value through profit or loss

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

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

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

2. Investment securities available for sale

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

Premiums and discounts on investment securities available-for-sale are considered during the computation of the internal rate of return and are included in interest income in the income statement. Accrued interest income on investment securities available for sale is recognized in the income statement whereas gains and losses arising from the change in the fair values of such securities are reflected in equity under "Securities value increase fund" (Unrealized Gains/Losses on Securities). When investment securities available for sale are sold, collected or otherwise disposed of, the cumulative fair value adjustments under equity are transferred to the income statement. The Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity portfolios. CPI government bonds that are constant throughout their lives and their real principal amounts are preserved from inflation. These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate as disclosed by the Turkish Treasury. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

Some portion of the Eurobond portfolio which has been recognized as available for sale securities are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009, and some portion of the TL government bonds are designated as fair value hedged items, hedged against interest rate fluctuations, starting

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

from July 2011. Those securities are disclosed under Investment Securities

Available for Sale in order to be in line with balance sheet presentation. The fair value differences of Eurobond and TL government bond hedged items are accounted for under "Securities Trading Gains/ Losses" in the income statement.

In cases where fair value hedge operations cannot be effectively performed as described in TAS 39, fair value hedge accounting is ceased. The fair 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.

3. Investment securities held to maturity

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

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

4. Specific Provisions for Loans and Receivables

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

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

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

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

VIII. Explanations on Impairment of Financial Assets

It is assessed whether there is objective evidence for a financial asset or group of financial assets is impaired at each balance sheet date. Provision for impairment is provided when there is an objective evidence of impairment.

A financial asset or a group of financial assets can be impaired and impairment loss will occur only if there is objective evidence that one or more events ("loss/profit events") have occurred after the initial recording of subject asset and that subject loss event/s have an impairment effect on future, approximate cash flows which can accurately be guessed. Future events that are expected to occur are not accounted, no matter how probable.

Impairment for held-to-maturity financial assets carried at amortized cost is calculated as the difference between the present value of the expected future cash flows discounted based on the "Effective interest rate method" and its carrying value. Regarding available-for-sale financial assets, impairment loss is reclassified from equity to profit or loss and is the difference between acquisition cost (less all principal repayments and amortization) and fair value, after impairment losses previously accounted for under profit or loss have been deducted. An explanation about the impairment of loans and receivables is given in Note VII-4 of Section Three.

IX. Explanations on Netting of Financial Instruments

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

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

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

Funds lended 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 7.616.909 (December 31, 2016– TL 5.830.871).

As of December 31, 2017 the Bank has no securities that are subject to lending transactions (December 31, 2016 – None).

Securities purchased with a commitment to resell (reverse repurchase agreements) are recorded in a separate account under "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.

XI. Explanations on Assets Held for Sale and Discontinued Operations

In accordance with TFRS 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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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 entity's control and there is enough evidence that plans to sell subject asset (or a disposal group) continue subject assets continue to be classified as assets held for sale

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

The Bank classifies tangible assets that were acquired due to non-performing receivables as other assets.

XII. Explanations on Goodwill and Other Intangible Assets

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

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

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

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

XIII. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

XIV. Explanations on Leasing Transactions

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

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

The Bank has no leasing transactions as lessor.

XV. 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 Bank. Whenever the amount of such obligations cannot be measured, they are regarded as "contingent". If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can reliably be measured, a provision is provided.

XVI. Explanations on Obligations of the Bank Concerning Employee Benefits

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

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

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

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

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

XVII. Explanations on Taxation

1. Corporate Tax

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

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

Companies calculate their advance tax at the rate of 20% (22% for taxation periods of 2018, 2019 and 2020) on their quarterly financial profits, declare until the 14th day of the second month following that period and pay until the evening of the seventeenth day. The advance tax paid belongs that year and is offset from the corporation tax that will be calculated on the tax declaration of the companies to be given in the following year. If the advance tax paid amount remains after offsetting, this amount could be either returned as cash or offset.

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

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

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

2. Deferred Taxes

In accordance with Turkish Accounting Standard on Income Taxes (TAS 12), the Bank accounts for deferred taxes based on the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In calculating deferred tax, legalized tax rates effective as of balance sheet date are used as per tax legislations.

Deferred tax liabilities are recognized for all temporary differences whereas deferred tax assets calculated from deductible temporary differences are only recognized if it's highly probable that these will in the future create taxable profit. Deferred tax asset is not provided over general reserve for possible risk and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004.

Deferred tax effect in regards to transactions directly accounted for in equity, is also reflected to equity.

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

3. Transfer Pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing. "The General Communique on Disguised Profit Distribution by way of Transfer Pricing" published on November 18, 2007 explains the application related issues in detail. According to this Communique, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

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

XVIII. Explanations on Additional Explanations on Borrowings

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

XIX. Explanations on Share Issues

During current period, the paid-up capital of the Bank was increased from TL 200.000 as bonus without any contribution from first profit share l (1 January -31 December 2016 the Bank's paid in capital has been increased by TL 150.000, TL 150.000 paid from first dividend with bonus shares).

XX. 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.

XXI. Explanations on Government Incentives

As of December 31, 2017, the Bank does not have any government incentives or grants (As of December 31, 2016 – None).

XXII. Explanations on Segment Reporting

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

Current Period (January 1 – December 31, 2017)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Bank**
Net Interest Income	1.834.670	1.794.691	2.022.240	5.651.601
Net Fees and Commissions Income	1.137.582	599.152	(50.841)	1.685.893
Other Operating Income and Net Trading Income	88.035	31.163	(1.221.575)	(1.102.377)
Dividend Income	-	-	14.499	14.499
Operating Income	**3.060.287**	**2.425.006**	**764.323**	**6.249.616**
Other Operating Expenses	1.625.224	1.106.568	235.419	2.967.211
Provision for Loan Losses and Other Receivables	550.232	645.226	37.982	1.233.440
Profit Before Taxes	**884.831**	**673.212**	**490.922**	**2.048.965**
Provision for Tax	**-**	**-**	**-**	**(445.524)**
Net Profit/Loss	**-**	**-**	**-**	**1.603.441**
Total Assets	**26.494.193**	**56.188.865**	**37.247.490**	**125.857.170**
Segment Assets	26.494.193	56.188.865	37.247.490	119.930.548
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	901.502
Undistributed Assets	-	-	-	5.025.120
Total Liabilities	**40.773.968**	**24.521.788**	**39.133.827**	**125.857.170**
Segment Liabilities	40.773.968	24.521.788	39.133.827	104.429.583
Undistributed Liabilities	-	-	-	9.272.185
Equity	-	-	-	12.155.402
Other Segment Accounts	**259.139**	**176.440**	**43.795**	**482.455**
Capital Expenditures	121.139	82.480	23.766	227.385
Depreciation and Amortization	138.000	93.960	20.029	251.989
Value Decrease/ (Increase)	-	-	-	3.081

Prior Period (January 1 – December 31, 2016)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	1.636.457	1.527.977	1.339.669	4.504.103
Net Fees and Commissions Income	950.210	434.204	(21.811)	1.362.603
Other Operating Income and Net Trading Income	177.031	43.606	(487.149)	(266.512)
Dividend Income	-	-	57	57
Operating Income	**2.763.698**	**2.005.787**	**830.766**	**5.600.251**
Other Operating Expenses	1.585.963	964.903	249.618	2.800.484
Provision for Loan Losses and Other Receivables(-)	656.317	818.832	(159.203)	1.315.946
Profit Before Taxes	**521.418**	**222.052**	**740.351**	**1.483.821**
Provision for Tax	**-**	**-**	**-**	**(280.411)**
Net Profit/Loss	**-**	**-**	**-**	**1.203.410**
Total Assets	**23.733.749**	**39.189.482**	**33.029.665**	**101.503.054**
Segment Assets	23.733.749	39.189.482	33.029.665	95.952.896
Associates and Subsidiaries and Entities	-	-	-	798.827
Undistributed Assets	-	-	-	4.751.331
Total Liabilities	**35.177.287**	**16.787.719**	**29.823.092**	**101.503.054**
Segment Liabilities	35.177.287	16.787.719	29.823.092	81.788.098
Undistributed Liabilities	-	-	-	9.588.628
Equity	-	-	-	10.126.328
Other Segment Accounts	**344.010**	**209.296**	**60.542**	**613.848**
Capital Expenditures	201.012	122.296	37.955	361.263
Depreciation and Amortization	142.998	87.000	22.587	252.585
Value Decrease/ (Increase)	-	-	-	-

XXIII. Explanations on Profit Reserves and Profit Distribution

The Ordinary General Assembly Meeting of the Bank was held on 30 March 2017. In the Ordinary General Assembly, it was decided to net income from 2016 operations to the Bank's shareholders.

Statement of Profit Distribution, 2016

Profit for the Period	1.203.410
A – First Legal Reserves (Turkish Commercial Code 519/A) 5%	(60.171)
B – First Profit share to be distributed (*)	(157.500)
C – Real Estate sale income fund (KVK 5-1/e)	(79.366)
D – Extraordinary Reserves	(906.373)

(*) It has been decided for TL 157.500 reserved as the First Profit shares to be distributed to be added to Shareholder's Equity.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

XXIV. Earnings Per Share

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

	Current Period	Prior Period
Net Profit for the Period	1.603.441	1.203.410
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
Earnings Per Share	**0,04786**	**0,03592**

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 2017 is 2.000.000.000 (Amount of issued bonus shared in 2016 is 1.500.000.000).

XXV. Explanations on Other Matters

None.

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON EQUITY:

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of December 31, 2017 Bank's total capital has been calculated as TL 14.142.352 (31 December 2016 – 11.241.168 TL), capital adequacy ratio is 14,99% (31 December 2016 – 14,53%). This ratio is well above the minimum ratio required by the legislation.

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Current Period December 31, 2017	1/1/2014 Amounts related to previous application (*)
TOTAL CAPITAL		
Total Capital	14.142.352	
Total risk weighted amounts	94.325.508	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12,32%	
Tier 1 Capital Adequacy Ratio	12,25%	
Capital Adequacy Ratio	14,99%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	1,76%	
a) Capital conservation buffer requirement	1,25%	
b) Bank specific counter-cyclical buffer requirement	0,01%	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,32%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	151.969	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.396.268	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.047.498	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	1.568.424	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.899.040	

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Prior Period December 31, 2016	1/1/2014 Amounts related to previous application(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.150.000	
Share issue premiums	714	
Reserves	5.870.067	
Gains recognized in equity as per TAS	316.441	
Profit	1.203.410	
Current Period Profit	1.203.410	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the periodw	2.689	
Common Equity Tier 1 Capital Before Deductions	**10.543.321**	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	462.544	
Improvement costs for operating leasing	77.242	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	150.233	250.388
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	**690.019**	
Total Common Equity Tier 1 Capital	**9.853.302**	

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

	Prior Period December 31, 2016	1/1/2014 Amounts related to previous application(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	**-**	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for	100.155	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	**-**	
Total Additional Tier I Capital	**-**	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**9.753.147**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	693.264	
Provisions (Article 8 of the Regulation on the Equity of Banks)	858.439	
Tier II Capital Before Deductions	**1.551.703**	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	**-**	
Total Tier II Capital	**1.551.703**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**11.304.850**	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.669	
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	19.013	
Other items to be defined by the BRSA (-)	32.000	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, 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 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 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 (-)	-	

	Prior Period December 31, 2016	1/1/2014 Amounts related to previous application (*)
TOTAL CwAPITAL		
Total Capital	11.241.168	
Total risk weighted amounts	77.381.442	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12,73%	
Tier 1 Capital Adequacy Ratio	12,60%	
Capital Adequacy Ratio	14,53%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	5,38%	
Capital conservation buffer requirement	0,63%	
Bank specific counter-cyclical buffer requirement	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,73%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	126.643	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	33.517	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.288.394	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	858.439	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	693.264	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	2.520.674	

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

(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 (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	Yes	Yes	Yes	No
Eligible at stand-alone / consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	289	178	111	990
Par value of instrument (Currency in million)	1.238	762	476	990
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	April 24, 2008	October 6, 2009	December 28, 2009	May 22, 2017
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	12 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 + 4,50%	LIBOR + 4,34%	LIBOR + 4,34%	LIBOR + 3,88%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-

	1	2	3	4
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None	None	Yes
If convertible, conversion trigger (s)	-	-	-	Article number 7-2-i of "Own fund regulation"
If convertible, fully or partially	-	-	-	All the remaining capital
If convertible, conversion rate	-	-	-	(*)
If convertible, mandatory or optional conversion	-	-	-	Optional
If convertible, specify instrument type convertible into	-	-	-	Equities
If convertible, specify issuer of instrument it converts into	-	-	-	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 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2
Incompliance with article number 7 and 8 of "Own fund regulation"	Yes	Yes	Yes	Article number 7 and 8 of "Own fund regulation"
Details of incompliances with article number 7 and 8 of "Own fund regulation"	8-2-ğ	8-2-ğ	8-2-ğ	Article number 7 and 8 of "Own fund regulation"

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

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

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context, part of the general loan loss provision up to 1,25% of amount subject to credit risk have been taken into consideration as contribution capital, loses from cash flow hedges have not been taken into consideration in the information on the equity items and valuation adjustments calculated according to item (i) of the first paragraph of the ninth article of the "Regulation on Equity of Banks" have been taken into consideration in the explanations on equity items.

II. Explanations on Risk Management

1. Explanations on Credit Risk

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

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

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

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

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

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

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

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

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

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

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

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

Based on "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside", the Bank considers second group loans whose principal or interest payments are not collected at the determined dates as overdue loans. Loans whose principal or interest payments are delayed for more than 90 days and loans of borrowers which the Bank believes that the borrower lost their creditworthiness are considered as impaired loans.

The Bank calculates general loan provision for overdue loans and specific loan provision for impaired loans based on "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside".

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

The receivables of the Bank from its top 100 cash loan customers are 21% in the total cash loans (December 31, 2016 – 18%).
The receivables of the Bank from its top 200 cash loan customers are 24% in the total cash loans (December 31, 2016 - 21%).
The receivables of the Bank from its top 100 non-cash loan customers are 47% in the total non-cash loans (December 31, 2016 – 42%).
The receivables of the Bank from its top 200 non-cash loan customers are 56% in the total non-cash loans (December 31, 2016 – 51%).
The share of cash and non-cash receivables of the Bank from its top 100 loan customers in total cash and non -cash loans is 26% (December 31, 2016 – 19%).
The share of cash and non-cash receivables of the Bank from its top 200 loan customers in total cash and non -cash loans is 30% (December 31, 2016 – 23%).
The general loan loss provision related with the credit risk taken by the Bank is TL 1.396.268 (December 31, 2016 – TL 1.288.394).
As of December 31, 2017, provision for probable risks in the Bank's loan portfolio amounted to TL 108.450 (December 31, 2016 – TL 39.901).

	Current Period Risk Amount(*)	Average Risk Amount(**)	Prior Period Risk Amount(*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments and Central Banks	31.074.212	27.533.656	25.551.209	23.615.856
Conditional and unconditional receivables from regional or local governments	5.346	8.990	12.947	8.169
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	73.515	56.916	50.525	37.187
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	14.837.238	13.893.963	13.532.236	9.858.000
Conditional and unconditional receivables from corporates	39.539.612	33.448.593	25.046.012	25.981.857
Conditional and unconditional receivables from retail portfolios	45.761.846	42.068.202	35.544.220	30.109.629
Conditional and unconditional receivables secured by mortgages	8.951.095	9.009.808	9.208.978	10.487.581
Past due receivables	800.278	616.268	613.071	764.037
Receivables defined under high risk category by BRSA	1.872	28.529	26.627	1.184.667
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	1
Investment in equities	977.304	140.372	47.388	51.151
Other receivables	4.269.888	5.100.825	4.790.180	4.264.993

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

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

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

Profile of significant exposures in major regions:

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
Domestic	31.074.212	5.346	73.515	-	-	3.173.783	39.079.371	45.753.500	8.950.083	800.274	4	-	-	-	-	75.802	4.269.888	133.255.778
EU countries	-	-	-	-	-	11.060.518	280.881	907	749	-	1.868	-	-	-	-	-	-	11.344.923
OECD countries (**)	-	-	-	-	-	68.205	12.624	6	-	-	-	-	-	-	-	-	-	80.835
Off-shore banking regions	-	-	-	-	-	24.388	73.355	23	82	-	-	-	-	-	-	-	-	97.848
USA, Canada	-	-	-	-	-	474.340	9.517	215	105	-	-	-	-	-	-	-	-	484.177
Other countries	-	-	-	-	-	36.004	83.864	7.195	76	4	-	-	-	-	-	-	-	127.143
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	901.502	-	901.502
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**31.074.212**	**5.346**	**73.515**	**-**	**-**	**14.837.238**	**39.539.612**	**45.761.846**	**8.951.095**	**800.278**	**1.872**	**-**	**-**	**-**	**-**	**977.304**	**4.269.888**	**146.292.206**

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period																		
Domestic	25.551.209	12.947	50.525	-	-	3.650.268	24.728.413	35.533.994	9.207.929	613.060	57	-	-	-	-	-	3.991.353	103.339.755
EU countries	-	-	-	-	-	9.450.475	158.916	165	878	11	26.570	-	-	-	-	-	-	9.637.015
OECD countries (**)	-	-	-	-	-	72.751	6.339	5	-	-	-	-	-	-	-	-	-	79.095
Off-shore banking regions	-	-	-	-	-	20.235	52.982	29	171	-	-	-	-	-	-	-	-	73.417
USA, Canada	-	-	-	-	-	302.534	23.095	1.649	-	-	-	-	-	-	-	47.388	-	374.666
Other countries	-	-	-	-	-	35.973	76.267	8.378	-	-	-	-	-	-	-	-	-	120.618
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	798.827	798.827
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**25.551.209**	**12.947**	**50.525**	**-**	**-**	**13.532.236**	**25.046.012**	**35.544.220**	**9.208.978**	**613.071**	**26.627**	**-**	**-**	**-**	**-**	**47.388**	**4.790.180**	**114.423.393**

(*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that can not be allocated on a consistent basis.

1-Conditional and unconditional receivables from central governments or central banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
4-Conditional and unconditional receivables from multilateral development banks
5-Conditional and unconditional receivables from international organizations
6-Conditional and unconditional receivables from banks and brokerage houses
7-Conditional and unconditional receivables from corporates
8-Conditional and unconditional retail receivables
9-Conditional and unconditional receivables secured by mortgages
10-Past due receivables
11-Receivables defined as high risk category by the Regulator
12-Mortgage-backed Securities
13-Securitization Positions
14-Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
15-Investments in the Nature of Collective Investment
16-Investment in equities
17-Other receivables

Risk profile by sectors or counterparties:

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

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

1-Conditional and unconditional receivables from central governments or central banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
4-Conditional and unconditional receivables from multilateral development banks
5-Conditional and unconditional receivables from international organizations
6-Conditional and unconditional receivables from banks and brokerage houses
7-Conditional and unconditional receivables from corporates
8-Conditional and unconditional retail receivables
9-Conditional and unconditional receivables secured by mortgages
10-Past due receivables
11-Receivables defined as high risk category by the Regulator
12-Mortgage-backed Securities
13-Securitization Positions
14-Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
15-Investments in the Nature of Collective Investment
16-Investment in equities
17-Other receivable

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD END DECEMBER 31, 2017

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

	Exposure Categories(*)																			
Prior Period	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**	**FC**	**Total**
Agriculture	-	-	739	-	-	-	301.391	1.684.909	36.979	11.111	-	-	-	-	-	-	-	1.929.562	105.567	2.035.129
Farming and Livestock	-	-	739	-	-	-	216.581	1.663.264	34.848	11.040	-	-	-	-	-	-	-	1.901.571	24.901	1.926.472
Forestation	-	-	-	-	-	-	-	2.422	-	4	-	-	-	-	-	-	-	2.426	-	2.426
Fishing Industry	-	-	-	-	-	-	84.810	19.223	2.131	67	-	-	-	-	-	-	-	25.565	80.666	106.231
Industrial	-	12.849	5.694	-	-	-	8.725.171	3.357.382	702.931	53.835	-	-	-	-	-	-	-	5.324.180	7.533.682	12.857.862
Mining and Quarrying	-	-	-	-	-	-	163.952	66.758	23.109	168	-	-	-	-	-	-	-	145.821	108.166	253.987
Manufacturing Industry	-	-	5.694	-	-	-	6.092.384	3.275.388	675.507	53.521	-	-	-	-	-	-	-	5.028.143	5.074.351	10.102.494
Electricity, Gas, Water	-	12.849	-	-	-	-	2.468.835	15.236	4.315	146	-	-	-	-	-	-	-	150.216	2.351.165	2.501.381
Construction	-	-	1.227	-	-	-	2.741.558	2.204.515	779.333	13.202	-	-	-	-	-	-	-	4.419.767	1.320.068	5.739.835
Services	13.502.751	36	10.970	-	-	13.023.269	12.454.535	8.703.097	2.650.645	142.055	1	-	-	-	-	-	-	22.807.847	27.679.512	50.487.359
Wholesale and Retail Trade	-	-	1.021	-	-	-	4.840.134	6.879.165	849.005	119.467	1	-	-	-	-	-	-	10.000.283	2.688.510	12.688.793
Hotels and Restaurants	-	-	-	-	-	-	892.220	181.259	288.631	6.036	-	-	-	-	-	-	-	318.561	1.049.585	1.368.146
Transportation and Communications	-	-	1	-	-	-	3.220.780	637.763	55.728	6.608	-	-	-	-	-	-	-	927.699	2.993.181	3.920.880
Financial Institutions	13.502.751	33	-	-	-	13.023.269	394.741	65.389	2.970	291	-	-	-	-	-	-	-	9.741.866	17.247.578	26.989.444
Real Estate and Rent Services	-	-	-	-	-	-	1.452.962	184.936	1.141.097	1.523	-	-	-	-	-	-	-	301.863	2.478.655	2.780.518
Independent Business Services	-	-	9.573	-	-	-	425.980	399.778	131.650	4.774	-	-	-	-	-	-	-	583.984	387.771	971.755
Education Services	-	-	314	-	-	-	164.008	114.578	60.130	1.035	-	-	-	-	-	-	-	303.681	36.384	340.065
Health and Social Services	-	3	61	-	-	-	1.063.710	240.229	121.434	2.321	-	-	-	-	-	-	-	629.910	797.848	1.427.758
Other	12.048.458	62	31.895	-	-	508.967	823.357	19.594.317	5.039.090	392.868	26.626	-	-	-	-	47.388	4.790.180	37.472.992	5.830.216	43.303.208
Total	25.551.209	12.947	50.525	-	-	13.532.236	25.046.012	35.544.220	9.208.978	613.071	26.627	-	-	-	-	47.388	4.790.180	71.954.348	42.469.045	114.423.393

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

1-Conditional and unconditional receivables from central governments or central banks
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QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD END DECEMBER 31, 2017

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

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

	Term to Maturity				
Current Period Exposure Categories	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year**
Conditional and unconditional receivables from central governments and Central Banks	2.355.527	224.773	62.526	136.923	13.423.209
Conditional and unconditional receivables from regional or local governments	13	-	-	5.272	-
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	3.615	41.268	1.751	6.953	8.707
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	4.253.581	1.722.966	505.926	1.077.741	2.075.488
Conditional and unconditional receivables from corporates	3.946.610	2.394.276	3.955.100	5.492.354	20.810.461
Conditional and unconditional receivables from retail portfolios	1.805.990	3.023.666	3.401.066	5.250.290	22.504.718
Conditional and unconditional receivables secured by mortgages	69.690	146.659	353.155	693.599	7.591.428
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	39	-	191	-	457
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock Investments	75.802	-	-	-	-
Other receivables	-	-	-	-	-
Total	**12.510.868**	**7.553.609**	**8.279.715**	**12.663.132**	**66.414.468**

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

	Term to Maturity				
Prior Period Exposure Categories	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year**
Conditional and unconditional receivables from central governments and Central Banks	1.754.475	51.417	71.066	362.871	11.271.551
Conditional and unconditional receivables from regional or local governments	159	-	40	417	12.273
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	3.362	16.480	4.272	11.439	4.383
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	4.234.484	1.308.095	430.713	772.995	1.819.820
Conditional and unconditional receivables from corporates	2.448.751	1.824.424	2.869.971	3.142.415	12.828.649
Conditional and unconditional receivables from retail portfolios	1.777.873	2.905.311	3.676.631	4.714.165	13.676.127
Conditional and unconditional receivables secured by mortgages	59.864	147.566	347.712	575.985	7.989.823
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	790	-	177	-	12.046
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Other receivables	-	-	-	-	-
Total	**10.279.758**	**6.253.293**	**7.400.582**	**9.580.287**	**47.614.672**

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

Exposures by risk weights:

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

Prior Period Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	11.287.302	-	4.747.345	-	24.443.554	41.747.230	32.171.335	26.627	-	-	391.312
2. Exposures After Credit Risk Mitigation	9.848.524	-	1.761.031	5.663.072	23.134.366	35.014.879	28.206.273	26.627	-	-	391.312

Information by major sectors and type of counterparties:

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

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

(*) Represents the distribution of cash loans.

Prior Period	Loans (*)			
Major Sectors / Counterparties	**Impaired Loans**	**Past Due Loans**	**Value Adjustments**	**Provisions**
1. Agriculture	**61.495**	**72.212**	**2.413**	**50.200**
1.1. Farming and Livestock	59.828	71.631	2.379	48.625
1.2. Forestation	133	172	14	120
1.3. Fishing	1.534	409	20	1.455
2. Industrial	**468.553**	**234.216**	**12.098**	**407.957**
2.1. Mining and Quarrying	8.907	2.615	124	8.677
2.2. Manufacturing Industry	456.946	231.228	11.966	396.761
2.3. Electricity, Gas, Water	2.700	373	8	2.519
3. Construction	**255.695**	**117.269**	**5.487**	**241.000**
4. Services	**1.110.766**	**669.018**	**30.651**	**931.419**
4.1. Wholesale and Retail Commerce	866.208	440.016	21.580	727.188
4.2. Hotel and Restaurant Services	92.204	86.209	3.557	71.827
4.3. Transportation and Communication	59.764	70.973	2.578	51.519
4.4. Financial Corporations	14.758	10.986	439	13.271
4.5. Real Estate and Loan Services	5.656	5.420	190	4.786
4.6. Independent Business Services	30.351	18.971	753	24.835
4.7. Education Services	15.664	10.846	425	14.519
4.8. Health and Social Services	26.161	25.597	1.129	23.474
5. Other	**1.944.418**	**896.888**	**81.241**	**1.597.281**
6. Total	**3.840.927**	**1.989.603**	**131.890**	**3.227.857**

(*) Represents the distribution of cash loans.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Movements in value adjustments and provisions

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

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

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Special Provision	3.054.297	1.774.385	(397.227)	(1.203.598)	3.227.857
2. General Provisions	1.190.403	97.991	-	-	1.288.394

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

Exposures subject to countercyclical capital buffer:

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

Information on private sector receivables:

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

Prior Period	RWAs of Banking Book for Private	RWAs of	
Country	**Sector Lending**	**Trading Book**	**Total**
Turkey	58.400.068	135.399	**58.535.467**
Malta	149.739	-	**149.739**
Other	91.980	-	**91.980**
Total	**58.641.787**	**135.399**	**58.777.186**

Risk Management and General Disclosures regarding Risk Weighted Amounts

1) GBA – Risk Management Approach of the Group

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

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

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

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

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

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

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

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

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

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

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

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

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

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

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

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

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

d) Key elements and scope of Risk Measurement Systems

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

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

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

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

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

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

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

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

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

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

Reports are prepared daily and indicatively include the following:

- Estimation of the VaR on aggregate basis and by type of risk (interest rate, FX, equity)
- Estimation of stress VaR on aggregate basis and by type of risk (interest rate, FX, equity)
- Sensitivity of the trading and AFS portfolio

- Nominal values of bond portfolios
- Breakdowns of the portfolio and utilization of the relevant limits
- Utilization of limits on option Greeks
- Subsidiary VaR calculation

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

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

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

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

To move the risk factors parallel in one direction.

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

Trading book consists of trading securities, trading purposes derivatives and open currency positions which are clearly defined in Market Risk Management Policy.

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

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

2) GB1 - Overview of Risk Weighted Assets

		Risk Weighted Amount		Minimum Capital Requirement	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
1	Credit Risk (excluding counterparty Credit Risk)	81.920.527	67.160.705	6.553.642	5.372.856
2	Standardized approach	81.920.527	67.160.705	6.553.642	5.372.856
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	1.879.275	1.514.420	150.342	121.154
5	Standardized approach for counterparty credit Risk	1.879.275	1.514.420	150.342	121.154
6	Internal model method	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-	-
11	Settlement risk		-	-	-
12	Securitization positions in banking accounts		-	-	-
13	IRB ratings-based approach		-	-	-
14	IRB Supervisory Formula Approach		-	-	-
15	SA/simplified supervisory formula approach		-	-	-
16	Market risk	1.715.437	1.053.700	137.235	84.296
17	Standardized approach	1.715.437	1.053.700	137.235	84.296
18	Internal model approaches	-	-	-	-
19	Operational Risk	8.810.269	7.652.617	704.822	612.209
20	Basic Indicator Approach	8.810.269	7.652.617	704.822	612.209
21	Standard Approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24	Floor adjustment	-	-	-	-
25	**TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)**	**94.325.508**	**77.381.442**	**7.546.041**	**6.190.515**

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Linkages between financial statements and risk amount

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

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

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

	Carrying values of items in accordance with TAS					
Prior Period	**Financial statements prepared as per TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitization framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets						
Cash and balances with the Central Bank	13.103.883	w13.103.883	-	-	-	-
Trading Financial Assets	2.792.704	-	2.769.351	-	2.099.588	-
Financial Assets at Fair Value Through Profit or Loss	22.971	22.971	-	-	-	-
Banks	273.786	273.786	-	-	-	-
Money Market Placements	1.547.549	246.944	1.300.605	-	-	-
Financial Assets Available-for-Sale (net)	7.031.948	7.031.948	2.810.237	-	-	-
Loans and Receivables	62.900.260	62.855.591	-	-	-	44.669
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (net)	5.900.507	5.900.507	3.020.634	-	-	-
Investment in Associates (net)	3.766	3.766	-	-	-	-
Investment in Subsidiaries (net)	665.618	665.618	-	-	-	-
Investment in Joint ventures (net)	129.443	129.443	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	3.443.338	-	3.443.338	-	-	-
Property And Equipment (Net)	1.833.319	1.756.077	-	-	-	77.242
Intangible Assets (Net)	280.166	-	-	-	-	250.388
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	33.517	-	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	1.540.279	1.532.816	-	-	-	19.013
TOTAL ASSETS	**101.503.054**	**93.523.350**	**13.344.165**	**-**	**2.099.588**	**391.312**
Liabilities						
Deposits	53.938.700	-	-	-	-	53.938.700
Derivative Financial Liabilities Held for Trading	2.601.938	-	-	-	2.042.474	559.464
Funds Borrowed	10.757.907	-	-	-	-	10.757.907
Money Markets	6.515.461	-	-	-	-	6.515.461
Marketable Securities Issued	4.311.571	-	-	-	-	4.311.571
Funds	-	-	-	-	-	-
Miscellaneous Payables	6.602.677	-	-	-	-	6.602.677
Other Liabilities	1.028.337	-	-	-	-	1.028.337
Factoring Payables	-	-	-	-	-	-
Lease Payables	940	-	-	-	-	940
Derivative Financial Liabilities Held For Hedging	426.728	-	-	-	-	426.728
Provisions	1.768.642	-	-	-	-	1.768.642
Tax Liability	188.032	-	-	-	-	188.032
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	3.235.793	-	-	-	-	3.235.793
Shareholder's Equity	10.126.328	-	-	-	-	10.126.328
TOTAL LIABILITIES	**101.503.054**	**-**	**-**	**-**	**2.042.474**	**99.460.580**

2) B2-The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

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

	Prior period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	108.967.103	93.523.350	-	13.344.165	2.099.588
2	Liabilities carrying value amount under regulatory scope of consolidation	2.042.474		-	-	2.042.474
3	Total net amount under regulatory scope of consolidation	106.924.629	93.523.350		13.344.165	57.114
4	Off-Balance Sheet Amounts	54.750.427	8.855.756	-	-	-
5	Differences due to different netting rules	996.586	-	-	-	996.586
6	Repo transactions	164.892	-	-	164.892	-
7	Decrease in counterparty credit risk as a result of netting	(2.332.790)	-	-	(2.332.790)	-
8	Potential credit risk amount calculated for the counterparty	823.351	-	-	823.351	-
9	Differences due to credit risk reduction	(10.768.622)	(1.324.614)	-	(9.399.339)	-
	Risk Amounts	**-**	**101.054.492**	**-**	**2.600.279**	**1.053.700**

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

a) None.

b) There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for "Available for Sale". There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.

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

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

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

• Equity shares included in trading, investment fund participation documents, securities such as bonds and bills,

• Open foreign exchange position with respect to each foreign currency

• Derivative contracts (forwards) sensitive to interest changes and concluded for trading, future transactions, simple or complex options, swaps, credit derivatives

• Reverse repo transactions

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

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

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

• Commodity risk analysis: Simplified approach (Standard method)

• Interest rate risk analysis: General Market Risk Calculation (Standard method – maturity approach) – Specific risk calculation (standard method)

• Equity share risk analysis: Position risk in equity share investments (Standard method)

• Exchange rate exposure analysis (standard method)

• Option risk analysis: Weighting method with delta factor (standard method)

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

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

Definition of independent price approval processes:

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

• Market interest rates (bond, bill and derivative prices)

• Share prices

• Exchange rates

• Gold, other precious metals and commodity prices

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

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

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Credit Risk Disclosures

A) General Information on Credit Risk

1) CRA – General Qualitative Information on Credit Risk

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

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

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

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

• Rules and Regulations of BRSA (Banking Regulation and Supervision Agency)

• Decisions of institutions auditing QNB Group

• Credit policies and procedures at group level

• Risk Management Strategy

• Corporate, commercial and SME banking credit policies and corporate grading management documents

• Individual credit and credit cards policies

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

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

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

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

Main responsibilities of Credit Risk Management Department are as follows:

• To establish risk management policies and strategies related to risks exposed by the Group and to submit those policies and strategies for the approval of Board of Directors Risk Committee,

• To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at group level to senior management,

• To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Bank,

• To make periodic stress tests and scenario analysis and establish early warning systems,

• To support decision-making processes of the Bank through providing reviews and risk point of view with respect to risk management,

• To develop application and behavior score cards which are used in order to manage credit portfolio and processes in a correct and effective manner and forming main source for DR models,

• To promote risk awareness and management culture at group level.

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

Risk governance model includes three lines of defense consisting of:

• The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return.

• Risk Management Unit, at the second level, identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, provides coordination and assistance; measures risk adjusted performance across the business lines; reports to appropriate levels and proposes mitigation measures, being supported by business lines, where the risk is actually created, and specialized units.

• Internal Audit – provides the independent review function.

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

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

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

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

2) CR1 – Credit quality of assets:

		Gross carrying values of as per TAS			
	Current Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values**
1	Loans	4.330.104	81.882.776	3.529.821	82.683.059
2	Debt Securities	-	15.442.571	-	15.442.571
3	Off-balance sheet Exposures	-	50.077.135	45.014	50.032.121
4	**Total**	**4.330.104**	**147.402.482**	**3.574.835**	**148.157.751**

In accordance with "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published at official gazette dated 1/11/2006 and numbered 26333, credit receivables identified as illiquid claims are mentioned under 1-a section as receivables at default. Off-balance sheet receivables of customers having credit at default are mentioned under 3-a section as off-balance sheet receivables at default.

		Gross carrying values of as per TAS			Net values
	Prior Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**(a+b-c)**
1	Loans	3.840.927	62.310.161	3.227.857	62.923.231
2	Debt Securities	-	12.883.269	-	12.883.269
3	Off-balance sheet exposures	-	53.293.087	41.241	53.251.846
4	**Total**	**3.840.927**	**128.486.517**	**3.269.098**	**129.058.346**

3) CR2 – Changes in stock of defaulted loans and debt securities:

		Current Period	**Prior Period**
1	Defaulted loans and debt securities at end of the previous reporting period	3.840.927	3.797.990
2	Loans and debt securities that have defaulted since the last reporting period	2.151.271	1.980.618
3	Returned to non-defaulted status		-
4	Amounts written off(*)	752.070(*)	1.198.493
5	Other changes(**)	910.024	739.188
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**4.330.104**	**3.840.927**

(*) Includes the sale of legal follow-up loans receivable amounting to TL 745.739 in the current period.
(**) Includes collections from credits in default.

4) CRB – Additional disclosures related to credit quality of assets:

(a) Receivables having more than 90 days overdue are defined as "Past due receivables". There is no difference between "past due receivables" and "loans subject to provisioning" since all loans with 90 days overdue are subject to specific provisioning.

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

(c) Specific provision amounts are determined in accordance with "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside" and collaterals are not deducted from the risk amounts.

(d) In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments by the Bank it is aimed to overcome payment difficulty of the customer through making changes such as extension of term, payment free period or interest discount. Receivables in aforementioned scope are identified as "restructured receivables".

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

Exposures provisioned against by major regions:

Country	December 31, 2017	December 31, 2016
Turkey	81.441.381	62.034.153
European Union (EU) Countries	288.469	162.720
USA,Canada	9.352	20.304
OECD Countries	42	59
Off-Shore Banking Regions	30.608	32.872
Other Countries	112.924	60.053
Total	**81.882.776**	**62.310.161**

Exposures provisioned against by major sectors:

	December 31,2017	December 31, 2016
1. Agricultural	**2.559.872**	**1.881.155**
1.1. Farming and raising livestock	2.416.952	1.778.485
1.2. Forestry	6.145	2.742
1.3. Fishing	136.775	99.928
2. Manufacturing	**13.660.869**	**9.929.107**
2.1. Mining and Quarrying	274.415	210.495
2.2. Production	10.589.748	7.640.152
2.3. Electricity, Gas, Water	2.796.706	2.078.460
3. Construction	**7.486.808**	**4.184.485**
4. Services	**30.175.468**	**23.306.525**
4.1 Wholesale and retail trade	14.308.792	11.160.946
4.2 Hotel, food and beverage services	2.634.086	2.135.018
4.3 Transportation and telecommunication	5.162.942	3.605.143
4.4 Financial institutions	4.295.605	3.346.487
4.5 Real estate and leasing services	350.288	381.882
4.6 Self-employment services	1.285.693	819.582
4.7 Education services	358.867	339.226
4.8 Health and social services	1.779.195	1.518.241
5. Other	**27.999.759**	**23.008.889**
6. Total	**81.882.776**	**62.310.161**

Breakdown of Exposures according to remaining maturity:

Current period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables	-	15.569.639	5.942.700	23.253.334	28.518.244	8.598.858	81.882.776

Prior period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables	-	12.428.249	6.158.762	18.952.384	18.344.587	6.426.179	62.310.161

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

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

Prior Period	Loans Subject to Provision	Provision	Written-off from Assets
Turkey	3.817.446	3.204.399	1.198.493
European Union (EU) Countries	22.692	22.674	-
USA,Canada	1	1	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	776	776	-
Other Countries	12	7	-
Total	**3.840.927**	**3.227.857**	**1.198.493**

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

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

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

	December 31, 2017			December 31, 2016		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	**113.483**	**71.727**	**13.427**	**61.495**	**50.200**	**4.733**
1.1. Farming and Raising Livestock	111.805	70.444	12.924	59.828	48.625	4.370
1.2. Forestry	249	103	41	133	120	139
1.3. Fishing	1.429	1.180	462	1.534	1.455	224
2. Industrial	**585.236**	**479.638**	**114.994**	**468.553**	**407.957**	**41.700**
2.1. Mining and Quarrying	6.482	5.664	1.852	8.907	8.677	141
2.2. Production	578.452	473.673	111.937	456.946	396.761	41.494
2.3. Electricity, Gas, Water	302	301	1.205	2.700	2.519	65
3. Construction	**274.562**	**218.450**	**66.954**	**255.695**	**241.000**	**7.974**
4. Services	**1.338.988**	**1.010.306**	**198.291**	**1.110.766**	**931.419**	**155.822**
4.1. Wholesale and Retail Trade	1.024.853	775.398	183.318	866.208	727.188	117.815
4.2. Hotel, Food and Beverage Services	131.158	94.201	4.075	92.204	71.827	18.670
4.3. Transportation and Communication	65.326	47.973	6.106	59.764	51.519	9.181
4.4. Financial Institutions	18.750	14.939	503	14.758	13.271	2.242
4.5. Real Estate and Renting Services	14.732	7.348	100	5.656	4.786	1.208
4.6. Self-Employment Services	40.161	31.450	3.284	30.351	24.835	3.616
4.7. Educational Services	20.643	18.788	53	15.664	14.519	1.053
4.8. Health and Social Services	23.365	20.209	852	26.161	23.474	2.037
5. Other	**2.017.835**	**1.749.700**	**358.404**	**1.944.418**	**1.597.281**	**988.264**
6. Total	**4.330.104**	**3.529.821**	**752.070**	**3.840.927**	**3.227.857**	**1.198.493**

g) Aging Analysis

Overdue Days	31.12.2017	31.12.2016
0-30	80.103.182	60.419.727
31-60	1.015.201	960.369
61-90	764.393	930.065
90+	4.330.104	3.840.927
Total	**86.212.880**	**66.151.088**

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

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

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

Prior Period	Standard Loans	Loans under close monitoring	Non- performing loan
Loans subject to provision	-	-	73.703
Non- reserved Loans (*)	1.302.740	1.703.818	-
Total	**1.302.740**	**1.703.818**	**73.703**

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

B) Credit Risk Mitigation

1) CRC - Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

Insurance policies of the collaterals should be obtained.

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

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

2) CR3 Credit risk mitigation techniques – overview:

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

	Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guar-antees	Exposures secured by credit deriv-atives	Collateralized amount of exposures se-cured by credit derivatives
1	Loans	60.885.709	2.037.522	1.202.928	-	-	-	-
2	Debt securities	12.883.269	-	-	-	-	-	-
3	**TOTAL**	**73.768.978**	**2.037.522**	**1.202.928**	**-**	**-**	**-**	**-**
4	Of which defaulted	610.893	2.177	211	-	-	-	-

C) Credit risk when standard approach is used

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

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

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

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

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

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

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

	Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM	RWA and RWA density		
	Exposure Categories	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Exposures to central governments or central banks	24.088.287	-	24.088.287	-	7.663.203	32%
2	Exposures to regional governments or local authorities	12.888	198	12.888	27	6.457	50%
3	Exposures to public sector entities	14.622	94.286	14.622	34.546	49.167	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	2.869.148	727.088	2.861.740	465.770	1.283.076	39%
7	Exposures to corporates	19.035.311	13.448.596	18.226.914	5.659.820	23.886.735	100%
8	Retail exposures	32.947.800	39.914.526	32.605.557	2.398.712	26.253.202	75%
9	Exposures secured by residential property	5.636.166	333.580	5.636.166	26.906	1.982.075	35%
10	Exposures secured by commercial real estate	3.454.876	183.132	3.454.876	91.030	1.772.953	50%
11	Past-due loans	613.070	-	612.861	-	449.465	73%
12	Higher-risk categories by the Agency Board	13.614	49.021	13.614	12.588	39.304	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	4.790.180	-	4.790.180	-	3.727.680	78%
17	Investments in equities	47.388	-	47.388	-	47.388	100%
18	**Total**	**93.523.350**	**54.750.427**	**92.365.093**	**8.689.399**	**67.160.705**	**66%**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

CR5 – Standard approach – exposures by asset classes and risk

Current Period

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

Prior Period

	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount (*)
1	Exposures to central governments or central banks	8.761.880	-	-	-	15.326.407	-	-	-	-	24.088.287
2	Exposures to regional governments or local authorities	-	-	-	-	12.915	-	-	-	-	12.915
3	Exposures to public sector entities	-	-	-	-	-	-	49.168	-	-	49.168
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1.281.620	-	2.038.276	-	7.614	-	-	3.327.510
7	Exposures to corporates	-	-	-	-	-	-	23.886.734	-	-	23.886.734
8	Retail exposures	-	-	-	-	-	35.004.269	-	-	-	35.004.269
9	Exposures secured by residential property	-	-	-	5.663.072	-	-	-	-	-	5.663.072
10	Exposures secured by commercial real estate	-	-	-	-	3.545.906	-	-	-	-	3.545.906
11	Past-due loans	-	-	-	-	326.791	-	286.070	-	-	612.861
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	26.202	-	26.202
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	47.388	-	-	47.388
17	Other Assetd	1.062.500	-	-	-	-	-	3.727.680	-	-	4.790.180
18	**Total**	**9.824.380**	**-**	**1.281.620**	**5.663.072**	**21.250.295**	**35.004.269**	**28.004.654**	**26.202**	**-**	**101.054.492**

1. Disclosures regarding counterparty credit risk

A) Qualitative disclosures regarding DCCR – CCR table:

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

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

CCR is managed in the framework of Derivative Products Application Instruction in line with credit risk policies since it is a type of risk reviewed in scope of credit risk although there are several differences.

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

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

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

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

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

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

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	3.519.845	1.273.502	-	1,4	2.134.883	1.137.301
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	1.386.569	421.868
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	**Total**	**-**	**-**	**-**	**-**	**-**	**1.559.129**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	3.879.899	823.351		1,4	1.604.412	898.540
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	995.867	349.591
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	**Total**	**-**	**-**	**-**	**-**	**-**	**1.248.131**

C) CCR2 – Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
		Cari Dönem	Önceki Dönem	Cari Dönem	Önceki Dönem
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (3*multiplier included)	-	-	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3	Total portfolio value with simplified approach CVA capital adequacy	2.134.883	1.604.412	320.146	266.289
4	**Total amount of CVA capital adequacy**	**2.134.883**	**1.604.412**	**320.146**	**266.289**

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D) CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights

Current Period

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

Prior Period

	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1	Exposures from central governments or central banks	24.144	-	-	-	-	-	-	-	24.144
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	479.411	1.884.071	-	-	-	-	2.363.482
7	Exposures from corporates	-	-	-	-	-	201.619	-	-	201.619
8	Retail receivables	-	-	-	-	10.610	-	-	-	10.610
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	424	-	424
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	**Total**	**24.144**	**-**	**479.411**	**1.884.071**	**10.610**	**201.619**	**424**	**-**	**2.600.279**

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

Related table is not presented due to standard method is used for calculation of capital adequacy (December 31, 2016 – None).

F) CCR5 – Composition of collateral for CCR exposure:

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

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
Prior Peiod	Segregated	Unsegregated	Segregated	Unsegregated	Collaterals Taken	Collaterals Given
Cash-Local Currency	-	-	-	-	1.495.044	-
Cash - Foreign Currency	-	3.272.578	-	377.338	3.525.142	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**3.272.578**	**-**	**377.338**	**5.020.186**	**-**

G) CCR6 – Credit derivatives exposures

Related table is not presented due to the Bank has no risk arrived from derivative credit received or sold.

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

Related table is not presented due to usage of standard approach for the calculation of capital adequacy by the Bank

I) CCR8 – Exposures to central counterparties

Related table is not presented due to the Bank has no risk against to counterparty

5. Securitization exposures:

The Parent Bank has no securitization transactions.

6. Disclosures regarding Consolidated Market Risk

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

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

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

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

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

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

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

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

B) PR1 –Market risk under standardized approach:

		RWA(**)	
		Current Period (Thousand TL)	Current Period (Thousand TL)
	Outright products (*)	1.692.538	1.042.863
1	*Interest rate risk (general and specific)*	*1.421.063*	*644.125*
2	*Equity risk (general and specific)*	-	-
3	*Foreign exchange risk*	*270.438*	*398.400*
4	*Commodity risk*	*1.037*	*338*
	Options	*22.900*	*10.837*
5	*Simplified approach*	-	-
6	*Delta-plus method*	*22.900*	*10.837*
7	*Scenario approach*	-	-
8	Securitization	-	-
9	**Total**	**1.715.438**	**1.053.700**

(*) Outright Product refer to positioning products that are not optional
(**) The Market risk represents the capital requirement multiplied by 12,5 times Risk Weighted Amount

7. Explanations Related to the Operational Risk

Value at operational risk is calculated with basic indicator method by using the gross profits for the last three years' (2015, 2014 and 2013) as per the "Calculation of Value at Operational Risk" of the article (3) of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" which was published in the Official Gazette No: 28337 dated June 28, 2012. As of December 31, 2016, the value at operational risk is amounting to TL 8.810.269 (December 31, 2015 - TL 7.652.617).

Current Period **Basic Indicator Method**	**2 PP Amount**	**1 PP Amount**	**CP Amount**	**Total / No. of Years of Positive Gross**	**Rate (%)**	**Total**
Gross Income	4.315.893	4.547.487	5.233.050	4.698.810	15	704.822
Value at operational risk						
(Total*12,5)						**8.810.269**
Prior Year **Basic Indicator Method**	**2 PP Amount**	**1 PP Amount**	**CP Amount**	**Total / No. of Years of Positive Gross**	**Rate (%)**	**Total**
Gross Income	3.826.094	4.130.877	4.287.216	4.081.396	15	612.209
Value at operational risk						
(Total*12,5)						**7.652.617**

(*)In accordance with the amendments made in the Communique on the Amendment to the Communiqué on the Uniform Chart of Accounts and Prospectus published in the Official Gazette dated 22 December 2016 and numbered 29926, "Support Service Corresponding Activity Expenses" has been removed from gross income calculation.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

III. Explanations on Foreign Currency Exchange Rate Risk

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

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

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

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

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

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

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

US Dollar purchase rate at the date of the balance sheet	3,8104 TL
Euro purchase rate at the date of the balance sheet	4,5478 TL

Date	US Dollar	Euro
December 29, 2017	3,8104	4,5478
December 28, 2017	3,8197	4,5385
December 27, 2017	3,8029	4,5116
December 26, 2017	3,8087	4,5205
December 25, 2017	3,8113	4,5171

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

The arithmetical average of the Bank's US Dollar and Euro purchase rates for December 2017 are TL 3,8477 and TL 4,5525 respectively.

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank (1)	3.509.095	8.430.826	1.811.411	13.751.332
Due From Banks	105.068	1.161.921	12.056	1.279.045
Financial Assets at Fair Value through Profit/Loss (2)	82.506	115.894	416	198.816
Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	406.228	2.823.374	-	3.229.602
Loans and Receivables (3)	13.209.083	9.258.352	145.930	22.613.365
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Investment Securities Held-to-Maturity	19.755	3.408.710	-	3.428.465
Derivative Financial Assets Hedging Purposes	2.455	45.703	-	48.158
Tangible Assets	-	-	43	43
Intangible Assets	-	-	-	-
Other Assets (4)	116.798	287.904	361	405.063
Total Assets	**17.450.988**	**25.532.684**	**1.970.217**	**44.953.889**
Liabilities				
Bank Deposits	306.935	1.810.122	102.836	2.219.893
Foreign Currency Deposits (5)	7.718.535	21.350.905	1.729.796	30.799.236
Money Market Borrowings	220.431	4.410.825	-	4.631.256
Funds Provided from Other Financial Institutions	5.191.667	12.237.496	2.240.494	19.669.657
Securities Issues (6)	-	4.833.817	-	4.833.817
Sundry Creditors	2.501.565	751.710	4.455	3.257.730
Derivative Fin. Liabilities for Hedging Purposes	53.780	178.724	-	232.504
Other Liabilities (7)	137.932	320.330	1.907	460.169
Total Liabilities	**16.130.845**	**45.893.929**	**4.079.488**	**66.104.262**
Net Balance Sheet Position	**1.320.143**	**(20.361.245)**	**(2.109.271)**	**(21.150.373)**
Net Off-Balance Sheet Position	**(1.357.497)**	**18.626.089**	**2.111.085**	**19.379.677**
Financial Derivative Assets	9.121.509	57.707.230	2.286.793	69.115.532
Financial Derivative Liabilities	10.479.006	39.081.141	175.708	49.735.855
Non-Cash Loans (8)	**4.724.545**	**5.457.980**	**293.108**	**10.475.633**
Prior Period				
Total Assets	11.250.646	21.301.785	1.601.613	34.154.044
Total Liabilities	11.818.182	33.412.034	2.724.689	47.954.905
Net Balance Sheet Position	**(567.536)**	**(12.110.249)**	**(1.123.076)**	**(13.800.861)**
Net Off-Balance Sheet Position	**517.755**	**10.393.147**	**1.120.232**	**12.031.134**
Financial Derivative Assets	5.949.677	43.105.601	1.221.052	50.276.330
Financial Derivative Liabilities	5.431.922	32.712.454	100.820	38.245.196
Non-Cash Loans (7)	2.203.845	3.737.029	72.130	6.013.004

(1) Cash and Balances with TR Central Bank; Other FC include TL 1.799.886 (December 31, 2016 – TL 1.554.973) precious metal deposit account.
(2) Does not include TL 53.594 (December 31, 2016 – TL 38.111) of currency income accruals arising from derivative transactions.
(3) Includes 3.382.889 TL (December 31, 2016 – TL 3.859.134) FC indexed loans.
(4) Does not include FC prepaid expenses amounting to TL 9.192 (December 31, 2016 – TL 3.375) as per BRSA's Communique published in Official Gazette no 26085 on 19 February 2006.
(5) Other foreign currency includes TL 1.198.394 (December 31, 2016 – TL 778.428) of precious metal deposit account.
(6) Debt instrument at an amount of USD 380 million included in securities issued has been mentioned in fair value hedge accounting.
(7) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 22.830 (December 31, 2016 – TL 41.958)
(8) Does not have an effect on Net Off-Balance Sheet Position.

As of December 31, 2017, the net foreign currency exposure of the Bank is TL 1.770.696 short position (December 31, 2016–TL 1.769.727 short) resulting from on balance sheet short position amounting to TL 21.150.373 (December 31, 2016 –TL 13.800.861 short) and off balance sheet long position amounting to TL 19.379.677 (December 31, 2016 – TL 12.031.134 long). As it is stated in note numbered III.5.1.d in Section Five, net foreign currency open position of the Bank is TL 322.744 following the fair value hedge accounting since the debt instrument at amount of USD 380 million (TL 1.447.952) included in issued securities recorded as foreign currency in balance sheet in order to ensure currency hedging of immovable which has recorded in TL in accordance with TAS but whose fair value forms in foreign currency in market.

6. Sensitivity to Foreign Exchange Risk

The Bank is mainly exposed to EUR and USD currencies.

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

	Change in Currency rate in %	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity (*)	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity (*)
		Current Period	Current Period	Prior Period	Prior Period
US Dollar	10% increase	(8.628)	(22.976)	(944)	(30.001)
	10% decrease	8.628	22.976	944	30.001
EURO	10% increase	(3.224)	(2.988)	(2.681)	(3.982)
	10% decrease	3.224	2.988	2.681	3.982

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

IV. Explanations on Interest Rate Risk

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(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)

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

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	7.541.319	-	-	-	-	5.562.564	13.103.883
Due from Banks	52.975	-	12.182	-	-	208.629	273.786
Financial Assets at Fair Value Through Profit/Loss (**)	738	771	2.492	5.692	31.081	6.218.239	6.259.013
Money Market Placements	1.547.549	-	-	-	-	-	1.547.549
Inv. Securities Available for Sale	1.540.318	403.471	1.609.451	847.566	2.787.198	(156.056)	7.031.948
Loans and Receivables	13.603.309	7.649.617	21.808.103	15.627.319	2.672.607	1.539.305	62.900.260
Inv. Securities Held to Maturity	178.373	1.181.254	1.626.021	1.301.498	1.516.723	96.638	5.900.507
Other Assets	-	-	-	-	-	4.486.108	4.486.108
Total Assets	**24.464.581**	**9.235.113**	**25.058.249**	**17.782.075**	**7.007.609**	**17.955.427**	**101.503.054**
Liabilities							
Bank Deposits	1.193.196	572.973	67.578	-	-	139.238	1.972.985
Other Deposits	30.671.017	9.903.374	1.874.874	47.913	-	9.468.537	51.965.715
Money Market Borrowings	4.738.154	914.488	824.886	-	27.944	9.989	6.515.461
Sundry Creditors	4.389.726	-	-	-	-	2.212.951	6.602.677
Securities Issued	600.656	628.659	1.297.009	1.750.319	-	34.928	4.311.571
Funds Borrowed	1.988.174	3.580.705	8.335.115	16.645	351	72.710	13.993.700
Other Liabilities (***)	-	-	-	-	-	16.140.945	16.140.945
Total Liabilities	**43.580.923**	**15.600.199**	**12.399.462**	**1.814.877**	**28.295**	**28.079.298**	**101.503.054**
On Balance Sheet Long Position	-	-	12.658.787	15.967.198	6.979.314	-	35.605.299
On Balance Sheet Short Position	(19.116.342)	(6.365.086)	-	-	-	(10.123.871)	(35.605.299)
Off-Balance Sheet Long Position	5.138.216	11.756.849	-	-	-	-	16.895.065
Off-Balance Sheet Short Position	-	-	(1.342.029)	(9.351.397)	(2.379.841)	-	(13.073.267)
Total Position	**(13.978.126)**	**5.391.763**	**11.316.758**	**6.615.801**	**4.599.473**	**(10.123.871)**	**3.821.798**

(*) Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(**) Financial Assets at Fair Value through Profit/Loss include TL 3.443.338 derivative financial assets used for hedging purposes.
(***) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 426.728.

Average interest rates applied to monetary financial instruments

Current Period	EURO %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	1,25	-	4,00
Due from Banks	-	1,68	-	12,76
Financial Assets at Fair Value Through Profit/Loss	2,11	5,04	-	11,90
Money Market Placements	-	-	-	14,29
Investment Securities Available for Sale	3,47	4,83	-	12,46
Loans and Receivables	4,35	5,89	2,67	15,70
Investment Securities Held to Maturity	2,96	5,22	-	13,93
Liabilities				
Bank Deposits	1,06	1,89	-	12,42
Other Deposits	1,60	3,49	0,37	13,06
Money Market Borrowings	0,21	1,86		12,56
Sundry Creditors	0,34	1,27	-	-
Securities Issued	-	5,57	-	14,66
Funds Borrowed	1,75	3,87	-	7,67

Prior Period	EURO %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	0,75	-	3,31
Due from Banks	0,03	0,74	-	8,52
Financial Assets at Fair Value Through Profit/Loss	2,41	5,17	-	10,42
Money Market Placements	-	-	-	8,49
Investment Securities Available for Sale	3,51	4,83	-	9,45
Loans and Receivables	4,16	5,22	2,88	14,18
Investment Securities Held to Maturity	2,96	5,06	-	9,70
Liabilities				
Bank Deposits	0,29	0,94	-	9,17
Other Deposits	1,41	2,91	0,94	10,39
Money Market Borrowings	0,24	1,51	-	7,96
Sundry Creditors	0,35	0,45	-	-
Securities Issued	-	5,84	-	10,57
Funds Borrowed	1,29	3,48	-	7,65

Interest rate risk on banking book

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

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

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

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

Available for sale securities included in banking book are daily monitored by being added to the scope of market risk. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal, interest rate and VAR limits.

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

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

Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity-Losses/Equity
1. TL	(+) 500	(1.248.899)	(8,83)%
	(-) 400	1.189.846	8,42%
2. EUR	(+) 200	27.327	0,19%
	(-) 200	2.203	0,02%
3. USD	(+) 200	(59.494)	(0,42)%
	(-) 200	60.209	0,43%
Total (of negative shocks)		**1.252.258**	**8,86%**
Total (of positive shocks)		**(1.281.066)**	**(9,06)%**

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

	Comparison		
Equity Securities (shares)	Carrying Value	Fair Value	Market Value
1. Investment in Shares- grade A	-	-	-
Quoted Securities	-	-	-
2. Investment in Shares- grade B	**445.809**	-	**445.809**
Quoted Securities	445.809	-	445.809
3. Investment in Shares- grade C	-	-	-
Quoted Securities	-	-	-
4. Investment in Shares- grade Other (*)	**455.693(*)**	**431.080**	-

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

		Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio	Gains/Losses in Current Period	Total	Amount under Supplementary Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1. Private Equity Investments	-	388.774	388.774	-	-	-
2. Quoted Shares	-	-	-	-	-	-
3. Other Shares	-	-	-	-	-	-
4. Total	-	**388.774**	**388.774**	-	-	-

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

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

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in the Bank in order to monitor related limits. Senior management of the Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of Bank's liquidity risk profile. Assets and Liabilities Committee (ALC) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Bank monthly in addition to aforementioned meetings and informs Board of Directors.

The Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALC meetings monthly with the participation of senior management. Several decisions are taken related to management of short and long term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

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

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

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

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

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

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

Liquidity Coverage Ratio

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Unweighted Amounts(*)		Weighted Amounts(*)	
PREVIOUS PERIOD - December 31, 2016	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS			**14.656.598**	**7.922.199**
1. High Quality Liquid Assets	16.737.357	5.972.334	14.656.598	7.922.199
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	36.995.672	13.570.866	3.309.804	1.357.087
3. Stable deposits	7.795.265	-	389.763	-
4. Less stable deposits	29.200.407	13.570.866	2.920.041	1.357.087
5. Unsecured Funding other than Retail and Small Business Customers Deposits	19.088.522	9.616.887	12.923.535	6.738.909
6. Operational deposits	527.508	19.515	131.877	4.879
7. Non-Operational Deposits	13.430.282	6.509.745	8.198.167	3.646.403
8. Other Unsecured Funding	5.130.732	3.087.627	4.593.491	3.087.627
9. Secured funding	-	-	714.170	714.170
10. Other Cash Outflows	16.257.020	10.812.724	16.257.020	10.812.724
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	16.257.020	10.812.724	16.257.020	10.812.724
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	291.702	-	14.585	-
15. Other irrevocable or conditionally revocable commitments	52.155.766	6.929.494	3.535.477	598.412
16. TOTAL CASH OUTFLOWS			**36.754.591**	**20.221.302**
CASH INFLOWS				
17. Secured Lending Transactions	1.360.148	-	-	-
18. Unsecured Lending Transactions	7.449.795	2.382.721	4.949.734	2.181.452
19. Other contractual cash inflows	14.799.706	10.217.550	14.799.706	10.217.550
20. TOTAL CASH INFLOWS	**23.609.649**	**12.600.271**	**19.749.440**	**12.399.002**
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			**14.656.598**	**7.922.199**
22. TOTAL NET CASH OUTFLOWS			**17.005.151**	**7.822.300**
23. Liquidity Coverage Ratio (%)			**86,19%**	**101,28%**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of 2017 are explained in the table below. According to “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette no. 28948, dated March 21, 2014.

	Maximum	Week	Minimum	Week	Average
TL+FC	109,98	20.10.2017	95,42	24.11.2017	102,9
FC	156,38	29.12.2017	107,65	03.11.2017	121,5

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

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

Funding sources of the Bank mainly consist of deposits which constitute 54 % of total liabilities of the bank (December 31, 2016 – 53%) and also include repo, syndication, securitization, securities issued and other instruments including subordinated debts.

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

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

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

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

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QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 Years	5 Years and Over	Unallocated (1)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank	4.712.819	11.169.453	-	-	-	-	-	15.882.272
Due from Banks	352.414	928.073	4.089	8.189	-	-	-	1.292.765
Financial Assets at Fair Value Through Profit/Loss (2)	-	424.647	577.620	1.491.205	2.800.274	167.457	-	5.461.203
Money Markets Placements	-	115.504	-	-	-	-	-	115.504
Investment Securities Available for Sale	75.803	556.720	16.783	116.597	3.618.743	3.965.064	-	8.349.710
Loans and Receivables	-	15.569.588	5.942.626	23.252.689	28.510.845	8.596.449	800.283	82.672.480
Investment Securities Held to Maturity	-	-	203.577	373.895	2.597.488	3.993.704		7.168.664
Other Assets	-	1.233.264	-	-	512.975	-	3.168.333	4.914.572
Total Assets	**5.141.036**	**29.997.249**	**6.744.695**	**25.242.575**	**38.040.325**	**16.722.674**	**3.968.616**	**125.857.170**
Liabilities								
Bank Deposits	129.280	1.859.365	205.790	150.444	-	-	-	2.344.879
Other Deposits	12.606.546	40.938.405	8.679.271	3.047.235	25.159	-	-	65.296.616
Funds Borrowed	-	1.508.240	1.814.614	7.972.881	5.299.911	3.188.958	-	19.784.604
Money Market Borrowings	-	3.692.682	1.196.050	536.159	360.132	704.798	-	6.489.821
Securities Issued	-	1.766.797	1.153.372	218.365	4.775.036	-	-	7.913.570
Sundry Creditors	-	3.762.005	268.111	777.683	1.087.321	-	-	5.895.120
Other Liabilities (3)	-	1.010.636	663.754	500.821	1.356.241	332.181	14.268.927	18.132.560
Total Liabilities	**12.735.826**	**54.538.130**	**13.980.962**	**13.203.588**	**12.903.800**	**4.225.937**	**14.268.927**	**125.857.170**
Liquidity Excess / Gap	**(7.594.790)**	**(24.540.881)**	**(7.236.267)**	**12.038.987**	**25.136.525**	**12.496.737**	**(10.300.311)**	**-**
Net Off Balance Sheet Exposure (4)	**-**	**157.178**	**385.083**	**695.747**	**1.451.851**	**21.733**	**-**	**2.711.592**
Receivables from Derivatives	-	16.531.491	15.524.060	23.034.807	35.951.080	7.066.467	-	98.107.905
Liabilities from Derivatives	-	16.374.313	15.138.977	22.339.060	34.499.229	7.044.734	-	95.396.313
Non-cash Loans (5)	**-**	**1.100.786**	**2.055.672**	**7.089.728**	**2.717.879**	**404.698**	**5.946.286**	**19.315.049**
Prior Period								
Total Assets	4.263.719	25.313.960	6.830.422	20.803.723	26.807.070	13.925.260	3.558.900	101.503.054
Total Liabilities	9.370.908	42.986.145	13.206.651	12.084.446	10.572.238	1.387.696	11.894.970	101.503.054
Liquidity Excess / Gap	**(5.107.189)**	**(17.672.185)**	**(6.376.229)**	**8.719.277**	**16.234.832**	**12.537.564**	**(8.336.070)**	**-**
Net Off Balance Sheet Exposure (4)	**-**	**253.881**	**211.482**	**542.068**	**1.780.421**	**17.668**	**-**	**2.805.520**
Receivables from Derivatives	-	18.107.138	15.611.275	16.160.452	22.547.162	5.609.532	-	78.035.559
Liabilities from Derivatives	-	17.853.257	15.399.793	15.618.384	20.766.741	5.591.864	-	75.230.039
Non-cash Loans (5)	**-**	**682.951**	**1.432.264**	**4.438.990**	**2.025.020**	**325.772**	**4.279.013**	**13.184.010**

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column.

Unallocated other liabilities include shareholders’ equity amounting to TL 12.155.402, unallocated provisions amounting to TL 2.060.459.

(2) Financial Assets at Fair Value through Profit/Loss include derivative financial assets held for hedging purposes amounting to TL 2.923.877.

(3) Other Liabilities also include derivative financial liabilities held for hedging purposes amounting to TL 529.323.

(4) 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.

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

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

Analysis of financial liabilities by remaining contractual maturities

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

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

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	136.155	1.196.628	576.800	68.381	-	-	1.977.964	1.972.985
Other Deposits	9.234.753	30.892.430	9.987.534	2.032.934	54.711	-	52.202.362	51.965.715
Payables to Money Market	-	4.746.126	588.722	523.273	164.215	577.095	6.599.431	6.515.461
Funds from other Financial Institutions	-	1.205.926	866.979	7.621.005	5.121.870	566.507	15.382.287	13.993.700
Securities Issued	-	603.658	639.443	1.474.505	1.919.547	-	4.637.153	4.311.571
Noncash Loans(*)	4.279.013	682.951	1.432.264	4.438.990	2.025.020	325.772	13.184.010	13.184.010

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

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

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy (**)	2.862.498	1.227.332	1.655.467	13.864	-	5.759.161
Forward Contracts Sell (**)	(2.925.301)	(1.224.732)	(1.672.828)	(13.534)	-	(5.836.395)
Swap Contracts Buy (*)	18.954.594	7.372.299	13.621.124	22.514.820	5.609.531	68.072.368
Swap Contracts Sell(*)	(18.591.925)	(7.132.995)	(12.780.577)	(20.169.643)	(5.591.864)	(64.267.004)
Futures Buy	-	1.685	34.727	818	-	37.230
Futures Sell	-	(1.685)	(34.727)	(818)	-	(37.230)
Options Buy	1.238.728	2.669.901	849.133	-	-	4.757.762
Options Sell	(1.257.010)	(2.727.322)	(847.706)	-	-	(4.832.038)
Other	-	-	282.544	600.406	-	882.950
Total	**281.584**	**184.483**	**1.107.157**	**2.945.913**	**17.667**	**4.536.804**

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

VII. Information regarding Leverage Ratio
Information in regards to the differences between current period and prior period leverage ratio

The Bank's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6,22% (December 31, 2016 - 6,24%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

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

	Book Value	
	Current Period (*)	Prior Period (*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	119.310.922	93.634.277
(Assets deducted from capital stock)	348.391	328.574
Total risk amount related to Assets on Balance sheet	**118.962.531**	**93.305.703**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	6.085.823	5.373.284
Potential credit risk amount of derivative financial instruments and credit derivatives	1.277.368	771.119
Total risk amount related to derivative financial instruments and credit derivatives	**7.363.191**	**6.144.403**
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	-	-
Risk amount sourcing from transactions mediated	-	-
Total risk amount related to financial transactions having security or commodity collateral	**-**	**-**
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	73.964.631	55.287.497
(Adjustment amount sourcing from multiplying to credit conversion rates)	16.486.236	211.383
Total risk amount related to off-balance sheet transactions	**57.478.395**	**55.076.114**
Capital and Total Risk		
Core Capital	11.429.491	9.646.280
Amount of total risk	183.804.117	154.526.220
Financial leverage ratio		
Financial leverage ratio	6,22%	6,24%

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

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

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

Fair value of held to maturity investments are determined through market rates. If market rates cannot be spotted, market rates of securities with similar interest, maturity and other characteristics are used instead.

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

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

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

	Carrying Value		Fair Value	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Financial Assets	**99.599.123**	**77.654.050**	**98.426.744**	**77.261.504**
Money Market Placements	115.504	1.547.549	115.504	1.547.549
Due from Banks	1.292.765	273.786	1.292.765	273.786
Loans and Receivables	82.672.480	62.900.260	81.509.558	62.652.694
Available for Sale Financial Assets	8.349.710	7.031.948	8.349.710	7.031.948
Securities Held to Maturity	7.168.664	5.900.507	7.159.207	5.755.527
Financial Liabilities	**107.724.610**	**85.362.109**	**107.659.557**	**85.456.635**
Bank Deposits	2.344.879	1.972.985	2.344.927	1.973.153
Other Deposits	65.296.616	51.965.715	65.317.421	51.990.155
Funds from Other Financial Institutions	19.784.604	13.993.700	19.660.627	13.882.454
Payables to Money Market	6.489.821	6.515.461	6.489.821	6.515.461
Securities Issued	7.913.570	4.311.571	7.951.641	4.492.735
Other Debts	5.895.120	6.602.677	5.895.120	6.602.677

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

The classification of fair value calculation is as follows:

a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);

b) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

c) Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

(*) Does not include equity shares in available for sale amounting to TL 4.912 which are recorded with historical value on financial statements.
(**) Presented in "Financial Assets at Fair Value Through Profit/Loss".

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	**7.444.886**	**6.320.809**	**295.256**	**14.060.951**
Financial Assets whose Fair Value is reflected on Gain/Loss	17.436	-	-	17.436
Derivative Financial Assets for Purchasing and Selling	3.781	2.771.487	-	2.775.268
Available for Sale Financial Assets	6.944.710	83.013	-	7.027.723
Loans and Receivables	-	22.971	-	22.971
Subsidiaries, Affiliates and Entities Under Common Control	478.959	-	295.256	774.215
Derivative Financial Assets Held for Cash Flow Hedges	-	3.443.338	-	3.443.338
Financial Liabilities	**502**	**3.028.164**	**-**	**3.028.666**
Derivative Financial Assets for Purchasing and Selling	502	2.601.436	-	2.601.938
Derivative Financial Liabilities Held for Cash Flow Hedges	-	426.728	-	426.728

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

	Current Period	Prior Period
Opening Balance	**295.256**	**258.050**
Change in total gain/loss	105.825	33.394
Accounted in income statement	-	*(11.166)*
Accounted in other comprehensive income	*105.825*	*44.560*
Purchases	30.000	40.000
Disposals	-	-
Matured Loans(*)	-	(13.217)
Sales from Level 3	-	(22.971)
Closing Balance	**431.081**	**295.256**

(*) Includes loans and receivables that are presented in "Financial Assets at Fair Value through Profit/Loss" and are closed before maturity.

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

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS

a) Cash and balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	644.333	340.629	685.251	376.428
T.R. Central Bank	1.461.242	13.408.983	1.244.513	10.795.316
Other	25.365	1.720	96	2.279
Total	**2.130.940**	**13.751.332**	**1.929.860**	**11.174.023**

b) Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	849.656	2.239.530	1.244.513	1.697.337
Restricted Time Deposits	611.586	11.169.453	-	9.097.979
Total	**1.461.242**	**13.408.983**	**1.244.513**	**10.795.316**

As of December 31, 2017, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 4% to 10.5% depending on the maturity of deposits (December 31, 2016 – 4% to 10,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 24% depending on the maturity of deposits and other liabilities (December 31, 2016 – 4,5% to 24,5%). In accordance with the "Communiqué Regarding the Reserve Requirements", the reserve requirements can be maintained as TL, USD, EUR and standard gold.

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

a) Trading securities given as collateral or blocked

Amount of financial assets at fair value through profit/loss which has given as collateral or blocked is TL 1.113 (December 31, 2016 –TL 2.831).

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

None (December 31, 2016 – None).

c) Assets on trading derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	43.711	-	106.629	-
Swap Transactions	2.213.649	182.290	2.464.874	145.519
Futures Transactions	-	105	-	388
Options	884	61.660	3.393	54.465
Other	-	-	-	-
Total	**2.258.244**	**244.055**	**2.574.896**	**200.372**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(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	12.873	844.509	13.186	47
Foreign	847	434.536	317	260.236
Foreign Head Offices and Branches	-	-	-	-
Total	**13.720**	**1.279.045**	**13.503**	**260.283**

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	68.192	140.196	17.419	11.284
USA and Canada	240.799	69.269	103.924	36.234
OECD Countries (*)	2.133	1.586	-	-
Off-shore Banking Regions	-	-	-	-
Other	2.916	1.984	-	-
Total	**314.040**	**213.035**	**121.343**	**47.518**

(*) Includes OECD countries other than the EU countries, USA and Canada.
(**) Includes blocked placements amounting to TL 121.343 at foreign banks (December 31, 2016 - TL 47.518) for the funds borrowed from foreign banks.

4. Information on receivables from reverse repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	-	-	**1.300.605**	-
T.R Central Bank	-	-	-	-
Banks	-	-	1.300.605	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	-	-	-	-
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	-	-	-	-
Total	-	-	**1.300.605**	-

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

5) Information on Subject to repurchase agreements and given as Collateral /blocked Investment securities available for sale

a) Investment securities available-for-sale given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	543.802	556.466	252.663	807.931
Subject to repurchase agreements	1.824.242	2.544.108	1.017.007	2.003.627
Total	**2.368.044**	**3.100.574**	**1.269.670**	**2.811.558**

b) Investment securities available for sale

	Current Period	Prior Period
Debt securities	**8.372.633**	**7.250.707**
Quoted on a stock exchange (*)	8.372.633	7.250.707
Unquoted on a stock exchange	-	-
Share certificates	**75.908**	**49.293**
Quoted on a stock exchange	-	-
Unquoted on a stock exchange(**)	75.908	49.293
Impairment provision(-)	**(98.831)**	**(268.052)**
Total	**8.349.710**	**7.031.948**

(*) The Eurobond Portfolio amounting to TL 4.072.503 (December 31, 2016 – TL 1.773.444) which is accounted for as investment securities available for sale was hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as Investment Securities Available for Sale in order to be in line with balance sheet presentation.

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

6. Information related to loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	**613**	**-**	**1.179**	**-**
Corporate Shareholders	613	-	1.179	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees(*)	82.484	-	80.379	-
Total	**83.097**	**-**	**81.558**	**-**

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(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

	Performing Loans and Other Receivables			Loans and Other Receivables		
Cash Loans(*)	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Non-specialized Loans	**77.597.834**	**1.919.035**	**-**	**4.284.942**	**1.727.638**	**-**
Discount Notes	811.089	-	-	31.331	-	-
Export Loans	1.699.768	-	-	71.063	-	-
Import Loans	30.845	-	-	-	-	-
Loans Given to Financial Sector	1.144.039	-	-	-	-	-
Retail Loans	16.995.352	504.876	-	795.145	201.047	-
Credit Cards	10.357.782	359.967	-	471.498	186.449	-
Other	46.558.959	1.054.192	-	2.915.905	1.340.142	-
Specialized Loans	**-**	**-**	**-**	**-**	**-**	**-**
Other Receivables	**-**	**-**	**-**	**-**	**-**	**-**
Total	**77.597.834**	**1.919.035**	**-**	**4.284.942**	**1.727.638**	**-**

(*) The loans amounting to TL 10.579 (December 31, 2016 – TL 22.971) are classified under "Loans at Fair Value through Profit/Loss" in the financial statements.

Times Payment Plan has been restructured	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
1 or 2 times	1.864.202	1.683.898
3, 4 or 5 times	49.948	37.656
Over 5 times	4.885	6.084
Total	**1.919.035**	**1.727.638**

Payment Plan Amendment with the Extended Time	Standard Loans and Other Receivables	Loans and Other Receivables Monitoring
0 - 6 months	647.471	417.756
6 -12 months	119.568	78.570
1 - 2 years	212.230	390.084
2 - 5 years	517.341	481.940
5 years and over	422.425	359.288
Total	**1.919.035**	**1.727.638**

c) Loans according to their maturity structure

	Performing Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
Cash Loans (*)	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans	**27.908.986**	**359.967**	**471.498**	**186.449**
Non-specialized Loans	27.908.986	359.967	471.498	186.449
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	**49.688.848**	**1.559.068**	**3.813.444**	**1.541.189**
Non-specialized Loans	49.688.848	1.559.068	3.813.444	1.541.189
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**77.597.834**	**1.919.035**	**4.284.942**	**1.727.638**

(*) The loans amounting to TL 10.579 (December 31, 2016 – TL 22.971) are classified under "Loans at Fair Value through Profit/Loss" in the financial statements.

(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	Interest and Income Accruals
Consumer Loans-TL	**580.416**	**15.590.477**	**16.170.893**	**191.051**
Housing Loans	4.029	5.532.339	5.536.368	75.307
Automobile Loans	462	19.568	20.030	182
Personal Need Loans	575.925	10.038.570	10.614.495	115.562
Other	-	-	-	-
Consumer Loans-FC Indexed	**-**	**4.944**	**4.944**	**8.791**
Housing Loans	-	4.765	4.765	8.420
Automobile Loans	-	-	-	-
Personal Need Loans	-	179	179	371
Other	-	-	-	-
Consumer Loans-FC	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Individual Credit Cards-TL	**8.186.002**	**359.721**	**8.545.723**	**83.591**
Installment	3.087.489	359.721	3.447.210	33.739
Non- Installment	5.098.513	-	5.098.513	49.852
Individual Credit Cards-FC	**4.103**	**-**	4.103	**23**
Installment	-	-	-	-
Non- Installment	4.103	-	4.103	23
Personnel Loans-TL	**5.253**	**43.482**	**48.735**	**344**
Housing Loans	-	581	581	4
Automobile Loans	-	-	-	-
Personal Need Loans	5.253	42.901	48.154	340
Other	-	-	-	-
Personnel Loans-FC Indexed	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Personnel Loans-FC	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Personnel Credit Cards-TL	**30.425**	**-**	**30.425**	**42**
Installment	12.550	-	12.550	-
Non-Installment	17.875	-	17.875	42
Personnel Credit Cards-FC	**102**	**-**	**102**	**-**
Installment	-	-	-	-
Non-Installment	102	-	102	-
Overdraft Accounts-TL (Real Persons)	**1.289.283**	**-**	**1.289.283**	**76.456**
Overdraft Accounts-FC (Real Persons)	**-**	**-**	-	**-**
Total	**10.095.584**	**15.998.624**	**26.094.208**	**360.298**

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

	Short Term	Medium and Long Term	Total	Interest and Income Accruals
Commercial Loans with Installment Facility – TL	**593.373**	**16.512.550**	**17.105.923**	**446.001**
Real Estate Loans	-	426.754	426.754	37.259
Automobile Loans	2.357	134.550	136.907	2.722
Personal Need Loans	591.016	15.951.246	16.542.262	406.020
Other	-	-	-	-
Commercial Loans with Installment Facility - FC Indexed	**10.867**	**1.101.603**	**1.112.470**	**385.057**
Real Estate Loans	-	20.131	20.131	9.444
Automobile Loans	-	61.100	61.100	19.537
Personal Need Loans	10.867	1.020.372	1.031.239	356.076
Other	-	-	-	-
Commercial Loans with Installment Facility – FC	**-**	**-**	-	**-**
Real Estate Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Corporate Credit Cards –TL	**2.131.204**	**12.659**	**2.143.863**	**20.907**
Installment	753.834	12.659	766.493	7.475
Non-Installment	1.377.370	-	1.377.370	13.432
Corporate Credit Cards –FC	**498**	**-**	**498**	**3**
Installment	-	-	-	-
Non-Installment	498	-	498	3
Overdraft Accounts-TL (Legal Entities)	**936.786**	**-**	**936.786**	**8.901**
Overdraft Accounts-FC (Legal Entities)	**-**	**-**	-	**-**
Total	**3.672.728**	**17.626.812**	**21.299.540**	**860.869**

f) Loans according to borrowers [(*)]

	Current Period	Prior Period
Public	50.160	248.823
Private	81.832.616	62.061.338
Total	**81.882.776**	**62.310.161**

(*) The loans amounting to TL 10.579 (December 31, 2016 – TL 22.971) are classified under "Loans at Fair Value Through Profit/Loss in the financial statements.

g) Domestic and foreign loans [(*)]

	Current Period	Prior Period
Domestic Loans	81.461.750	62.029.683
Foreign Loans	421.026	280.478
Total	**81.882.776**	**62.310.161**

(*) The loans amounting to TL 10.579 (December 31, 2016 – TL 22.971) are classified under "Loans at Fair Value Through Profit/Loss in the financial statements.

h) Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	331.694	265.304
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	**331.694**	**265.304**

i) Specific provisions for loans

	Current Period	Prior Period
Specific Provisions		
Loans and Receivables with Limited Collectability	113.483	71.532
Doubtful Loans and Other Receivables	346.348	326.935
Uncollectible Loans and Receivables	3.069.990	2.829.390
Total	**3.529.821**	**3.227.857**

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
(Gross Amounts Before the Specific Provisions)	-	2.481	57.600
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	2.481	57.600
Prior Period			
(Gross Amounts Before the Specific Provisions)	735	2.756	70.212
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	735	2.756	70.212

j.2) Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Year End Balance	**357.669**	**653.868**	**2.829.390**
Additions (+)	1.997.363	76.920	76.988
Transfers from Other Categories of Non-Performing Loans (+)	-	1.501.354	1.379.531
Transfers to Other Categories of Non-Performing Loans (-)	1.501.354	1.379.531	-
Collections (-)	286.039	158.610	465.375
Write-offs (-)(*)	**221**	**1.305**	**750.544**
Corporate and Commercial Loans	-	27	399.738
Consumer Loans	96	552	153.547
Credit Cards	125	726	197.259
Others	-	-	-
Current Year End Balance	**567.418**	**692.696**	**3.069.990**
Specific Provision (-)	113.483	346.348	3.069.990
Net Balances on Balance Sheet	**453.935**	**346.348**	**-**

(*)Credit receivables at an amount of TL 745.739, whose legal proceedings have begun, have been sold at a cash value of TL 69.303.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

None (December 31, 2016 - None).

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

	III. Group	IV. Group	Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	**453.935**	**346.348**	**-**
Loans to Real Persons and Legal Entities (Gross)	567.418	692.696	3.042.786
Specific provision (-)	113.483	346.348	3.042.786
Loans to Real Persons and Legal Entities (Net)	453.935	346.348	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	27.204
Specific provision (-)	-	-	27.204
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	**286.137**	**326.933**	**-**
Loans to Real Persons and Legal Entities (Gross)	357.669	653.868	2.802.573
Specific provision (-)	71.532	326.935	2.802.573
Loans to Real Persons and Legal Entities (Net)	286.137	326.933	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	26.817
Specific provision (-)	-	-	26.817
Other Loans and Receivables (Net)	-	-	-

k) Liquidation policies for uncollectible loans and other receivables:

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

l) Write-off policy:

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

7. Information on investment securities held-to-maturity

a) Information on financial assets held as collateral/blocked held-to-maturity

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	268.590	178.708	566.844	125.217
Subject to repurchase agreements	-	3.248.559	490.816	2.319.421
Total	**268.590**	**3.427.267**	**1.057.660**	**2.444.638**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	3.740.199	2.398.866	3.383.952	1.471.352
Treasury Bill	-	-	-	-
Other Debt Securities	-	427.977	-	444.242
Total	**3.740.199**	**2.826.843**	**3.383.952**	**1.915.594**

c) Information on investment securities held-to-maturity

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Securities	**3.740.199**	**3.428.465**	**3.383.952**	**2.516.555**
Publicly-traded	3.740.199	3.428.465	3.383.952	2.516.555
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	**3.740.199**	**3.428.465**	**3.383.952**	**2.516.555**

d) Movement of held-to-maturity investments

	Current Period	Prior Period
Value at the beginning of the period	**5.900.507**	**3.873.914**
Exchange differences on monetary assets	225.503	369.033
Acquisitions during the year	829.915	1.478.607
Disposals through sales and redemptions	(140.075)	-
Provision for losses (-)	-	-
Valuation effect	352.814	178.953
The sum of end of the period	**7.168.664**	**5.900.507**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

8. Investments in associates (Net):

8.1. Investments in associates:

a) Information on the unconsolidated subsidiaries

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

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
80.677	46.880	47.651	927	-	6.983	14.517	-

(*) Current amounts stated in table are from September 30, 2017 and prior period profit&loss amounts are taken from the financials of September 30, 2016.

b) Information on the consolidated subsidiaries:

None (31 December 2016- None).

8.2. Movements of investments in associates

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

8.3. Sectoral distribution of associates

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

8.4. Quoted Associates

None (December 31, 2016 - None).

8.5. Valuation methods of investments in associates

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

9 Investments in subsidiaries (Net)

a) Information on the unconsolidated subsidiaries

	Title	Address (City/ Country)	Bank's Share-If different, Voting Rights (%)	Bank' Risk Group Share (%)
1.	Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	İstanbul/Turkey	99,91	99,99
2.	EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	İstanbul/Turkey	51,00	51,00

(*)	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	43.156	19.774	17.288	-	-	(2.808)	1.437	-
2.	11.853	2.805	5.795	396	-	(702)	(1.602)	-

(*) Current period information is obtained from financial statements as of December 31, 2017, prior period profit and loss information is obtained from financial statements as of December 31, 2016.

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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.	Finans Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99,80	100,00
2.	Finans Finansal Kiralama A.Ş.	Istanbul/Turkey	99,40	99,40
3.	Hemenal Finansman A.Ş.	Istanbul/Turkey	100,00	100,00
4.	Finans Portföy Yönetimi A.Ş.	Istanbul/Turkey	0,03	100,00
5.	Finans Faktoring Hizmetleri A.Ş.	Istanbul/Turkey	99,99	100,00

Information on subsidiaries in the order presented in the table above

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (*)
1.	382.352	149.861	3.735	22.755	2.698	25.680	36.216	127.321
2.	4.707.681	761.140	5.789	314.305	-	93.966	58.677	445.809
3.	106.792	51.198	3.606	6.656	-	(4.367)	(2.771)	-
4.	13.240	11.928	123	1.578	-	(451)	328	-
5.	1.412.957	81.525	1.470	145.027	-	15.991	7.080	93.350

(*) Fair values of publicly traded subsidiaries reflect their Istanbul Stock Exchange (ISE) values as of balance sheet date.

b.2) Movement of investments in subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	**647.572**	**324.954**
Movements during the period	77.349	322.618
Purchases(*)	30.000	248.078
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Increase	47.349	74.540
Impairment Provision	-	-
Balance at the End of the Period	**724.921**	**647.572**
Capital Commitments	**-**	**30.000**
Share Percentage at the end of the Period (%)	**-**	**100%**

(*)The Bank has purchased 3.434.632 shares having a total nominal value of TL 34.346 and owned by NBG and equivalent to 29,87% of paid capital of Finans Finansal Kiralama A.Ş. which is one of its subsidiaries with a consideration amounting to TL 128.112 from NBG and 2.068.528 shares having a nominal value of TL 20.685 and owned by Finans Yatırım Menkul Değerler A.Ş. and equivalent to 17.99% of its paid capital with a consideration amounting to TL 77.570 from Finans Yatırım A.Ş in the current period. Shares, which are equivalent to 0,20% and 0,02% of paid capital of Finans Yatırım Menkul Değerler A.Ş. and Finans Portföy Yönetimi A.Ş. respectively, have been purchased in order of TL 44 and TL 1. Finans Faktoring A.Ş. and Hemenal Finansman A.Ş. has increased its capital at an amount of TL 20.000 through paid capital increase. In the prior period, the Bank has made a capital commitment amounting to TL 30.000 to its subsidiary, Hemenal Finansman A.Ş. and the related capital commitment was paid by the Bank in the current period.

b.3) Sectoral distribution of subsidiaries

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	93.350	64.358
Leasing Companies	445.809	478.959
Finance Companies	58.395	28.395
Other Subsidiaries	127.367	75.860
Total	**724.921**	**647.572**

b.4) Quoted subsidiaries within the context of consolidation

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	445.809	478.959
Quoted on International Stock Exchanges	-	-
Total	**445.809**	**478.959**

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

The Bank does not have any significant subsidiaries.

10. Investments in entities under common control:

	Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank' Risk Group Share (%)
1.	Cigna Finans Emeklilik ve Hayat A.Ş	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. (*)	1.219.521	126.096	15.600	-	-	54.867	31.097	-
2.	62.432	38.987	33.075	-	-	11.866	7.942	-

(*) Cigna Finans Emeklilik ve Hayat A.Ş., is accounted with fair value method as Communique on Bank's Consolidated Financial Statement and Turkish Accounting Standards.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

11. Information on leasing receivables (Net)

None (December 31, 2016 - None).

12. Information on hedging purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (*)	1.964.761	14.483	2.346.595	18.509
Cash Flow Hedge (**)	910.958	33.675	1.063.182	15.052
Foreign Net Investment Hedges	-	-	-	-
Total	**2.875.719**	**48.158**	**3.409.777**	**33.561**

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2017, TL 13.675 from securities (December 31, 2016 – TL 14.060), TL 808 (December 31, 2016 - TL 1.298) from funds borrowed, and TL 1.964.761 (December 31, 2016 - TL 2.346.595) represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in loans. As of December 31, 2017, there is no fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in securities issued (December 31, 2016 – TL 3.151).

(**) Represents the fair value of derivative financial instruments for cash flow hedge of deposits and floating interest borrowings.

13. Explanations on tangible assets

	Land and Buildings	Fixed Assets Under Finance Lease	Vehicles	Other Tangible Fixed Assets	Total
Prior Year End					
Cost	1.430.401	260.347	1.954	1.291.730	2.984.432
Accumulated Depreciation(-)	37.922	238.976	1.468	872.747	1.151.113
Net Book Value	**1.392.479**	**21.371**	**486**	**418.983**	**1.833.319**
Current Year End					
Cost at the Beginning of the Period	**1.430.401**	**260.347**	**1.954**	**1.291.730**	**2.984.432**
Additions	108.348	7.330	-	128.393	244.072
Disposals (-)(*)	-	-	17	18.082	18.099
Impairment (-) / (increase)	288	-	-	-	288
Current Period Cost	**1.539.037**	**267.677**	**1.937**	**1.402.041**	**3.210.693**
Accumulated Depreciation at the Beginning of the Period	**37.922**	**238.976**	**1.468**	**872.747**	**1.151.113**
Disposals (-)	-	-	18	17.607	17.625
Depreciation Amount	11.608	2.006	310	125.547	139.471
Current Period Accumulated Depreciation (-)	**49.530**	**240.982**	**1.760**	**980.687**	**1.272.959**
Net Book Value-end of the Period	**1.489.507**	**26.695**	**177**	**421.354**	**1.937.734**

(*) As stated in footnote in 5th Section III.5.1.d, fair value exchange difference income amortized at an amount of TL 102.128 belonging to immovable property subjected to fair value hedge accounting by the Bank is shown on "Disposals" line in Property, Plant and Equipment movement statement.

a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements:

Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements:

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss reverse of TL 288 has been booked (December 31, 2016 - TL 29 impairment loss).

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially effecting the overall financial statements, and the reason and conditions for this:

None (December 31, 2016- None).

c) Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets:

None (December 31, 2016- None).

14. Explanations on intangible assets

	Rights	Goodwill	Total
Prior Period End			
Cost	825.033	-	825.033
Accumulated Amortization (-)	544.867	-	544.867
Net Book Value	**280.166**	**-**	**280.166**
Current Period End			
Cost at the Beginning of the Period	**825.033**	-	**825.033**
Additions	161.449	-	161.449
Disposals(-)	-	-	-
Impairment (-) / (increase)	-	-	-
Current Period Cost	**986.482**	**-**	**986.482**
Accumulated Amortization at the Beginning of the Period	**544.867**	-	**544.867**
Disposals(-)	-	-	-
Amortization Charge (-)	112.518	-	112.518
Current Period Accumulated Amortization (-)	**657.385**	**-**	**657.385**
Net Book Value-End of the Period	**329.097**	**-**	**329.097**

a) Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements: None (December 31, 2016 - None).

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None (December 31, 2016 –None)

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None (December 31, 2016- None).

d) The book value of intangible fixed assets that are pledged or restricted for use: None (December 31, 2016- None).

e) Amount of purchase commitments for intangible fixed assets: None (December 31, 2016 - None).

f) Information on revalued intangible assets according to their types: None (December 31, 2016 – None).

g) Amount of total research and development expenses recorded in income statement within the period if any:

Amount of total research expenses recorded in income statement within the period is TL 7.559 (December 31, 2016 – TL 2.947).

h) Positive or negative consolidation goodwill on entity basis:

None (December 31, 2016-None).

i) Information on goodwill:

None (December 31, 2016-None).

j) Movements on goodwill in the current period:

None (December 31, 2016- None).

15. Explanations regarding the investment properties

None (December 31, 2016- None).

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

16. Information on tax asset

As of December 31, 2017 the Bank has no deferred tax asset (December 31, 2016 - TL 33.517 deferred tax liability).

17. Information on assets held for sale and discontinued operations

As of December 31, 2017 there is no tangible asset held for sale (December 31, 2016: None).

18. Information on other assets

18.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Assets Held for Resale (net)	512.975	367.420
Other Prepaid Expenses	474.821	422.788
Collateral Given for Derivative Transactions	361.684	372.799
Miscellaneous Receivables	262.498	100.777
Cheques Receivables from Other Banks	72.281	212.792
Prepaid rent expenses	34.406	34.132
Prepaid Agency Commissions	12.460	3.083
Advances Given	3.791	2.724
Other	11.323	23.764
Total	**1.746.239**	**1.540.279**

18.2. If other assets exceed 10% of total assets excluding the off-balance sheet items, the name and the amount of the subaccounts which create at least 20% of them are:

Details of the other assets are described above in the 18.1 section of explanations and disclosures related to assets.

19. Accrued interest and income

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Instruments Held for Hedging Purposes	2.875.719	48.158	3.409.777	33.561
Assets on Trading Derivatives	2.258.244	244.055	2.574.896	200.372
Loans and Receivables	1.029.257	297.851	708.977	217.258
Investments Securities Available for Sale	54.368	29.369	(23.660)	(181.297)
Investments Held-to-Maturity	167.886	46.918	68.347	28.291
Central Bank of Turkey	36.002	-	14.264	13
Banks	1.451	97	1.664	4
Trading Securities	328	36	20	(387)
Other Accruals	1.125	5.313	13.948	615
Total	**6.424.380**	**671.797**	**6.768.233**	**298.430**

SECTION FIVE

II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES

1. Information on maturity structure of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	**2.841.194**	**-**	**2.664.643**	**16.185.117**	**1.001.997**	**391.611**	**1.178.780**	**2.367**	**24.265.709**
Foreign Currency Deposits	**5.877.143**	**-**	**2.449.203**	**18.324.339**	**1.372.059**	**904.862**	**673.011**	**225**	**29.600.842**
Residents in Turkey	5.743.694	-	2.420.753	17.934.971	1.316.263	876.098	502.143	213	28.794.135
Residents Abroad	133.449	-	28.450	389.368	55.796	28.764	170.868	12	806.707
Public Sector Deposits	**112.991**	**-**	**2.508**	**13.989**	**97**	**8**	**119**	**-**	**129.712**
Commercial Deposits	**2.606.915**	**-**	**2.562.486**	**2.936.396**	**379.681**	**323.156**	**789.212**	**-**	**9.597.846**
Other Ins. Deposits	**56.387**	**-**	**34.530**	**185.822**	**159.759**	**67.049**	**566**	**-**	**504.113**
Precious Metal Deposits	**1.111.916**	**-**	**-**	**17.196**	**354**	**-**	**68.928**	**-**	**1.198.394**
Bank Deposits	**129.280**	**-**	**673.759**	**1.256.275**	**136.335**	**69.007**	**80.223**	**-**	**2.344.879**
T.R Central Bank	-	-	609.785	-	-	-	-	-	609.785
Domestic Banks	29.205	-	2.008	15.895	4.089	-	-	-	51.197
Foreign Banks	52.199	-	61.966	1.240.380	132.246	69.007	80.223	-	1.636.021
Participation Banks	47.876	-	-	-	-	-	-	-	47.876
Other	-	-	-	-	-	-	-	-	-
Total	**12.735.826**	**-**	**8.387.129**	**38.919.134**	**3.050.282**	**1.755.693**	**2.790.839**	**2.592**	**67.641.495**

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	**2.518.720**	**-**	**2.909.327**	**14.654.307**	**459.007**	**277.111**	**783.479**	**2.809**	**21.604.760**
Foreign Currency Deposits	**3.753.110**	**-**	**1.656.252**	**12.809.320**	**833.244**	**398.458**	**493.925**	**318**	**19.944.627**
Residents in Turkey	3.663.793	-	1.637.375	12.519.859	801.770	377.844	443.721	290	19.444.652
Residents Abroad	89.317	-	18.877	289.461	31.474	20.614	50.204	28	499.975
Public Sector Deposits	**76.394**	**-**	**6.906**	**42.448**	**551**	**6.229**	**167**	**-**	**132.695**
Commercial Deposits	**2.134.434**	**-**	**1.978.239**	**3.806.325**	**67.461**	**295.276**	**120.558**	**-**	**8.402.293**
Other Ins. Deposits	**34.809**	**-**	**153.418**	**496.379**	**15.849**	**385.758**	**16.699**	**-**	**1.102.912**
Precious Metal Deposits	**717.286**	**-**	**-**	**1.324**	**1.669**	**1.444**	**56.705**	**-**	**778.428**
Bank Deposits	**136.155**	**-**	**200.082**	**1.517.852**	**66.711**	**50.041**	**2.144**	**-**	**1.972.985**
T.R Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	9.005	-	15.734	242.252	-	2.146	2.144	-	271.281
Foreign Banks	17.936	-	184.348	1.275.600	66.711	47.895	-	-	1.592.490
Participation Banks	109.214	-	-	-	-	-	-	-	109.214
Other	-	-	-	-	-	-	-	-	-
Total	**9.370.908**	**-**	**6.904.224**	**33.327.955**	**1.444.492**	**1.414.317**	**1.473.677**	**3.127**	**53.938.700**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

1.1 Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Saving Deposits	12.342.514	11.407.962	11.921.850	10.196.172
Foreign Currency Savings Deposits	3.857.126	2.822.431	14.315.461	11.965.439
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**16.199.640**	**14.230.393**	**26.237.311**	**22.161.611**

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

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

	Current Period	Prior Period
Deposits and accounts in branches abroad	7.440	51.038
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	15.440	41.646
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	**22.880**	**92.684**

2. Information on trading purpose derivatives

a) Negative value of trading purpose derivatives

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forwards	83.786	-	199.244	-
Swaps	1.787.817	176.523	2.187.605	164.211
Futures	-	103	-	334
Options	275	22.266	168	50.376
Other	-	-	-	-
Total	**1.871.878**	**198.892**	**2.387.017**	**214.921**

3. Information on funds borrowed

a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Bank and Institutions	114.947	231.647	101.236	145.034
Foreign Bank, Institutions and Funds	-	15.927.173	-	10.511.637
Total	**114.947**	**16.158.820**	**101.236**	**10.656.671**

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	114.947	5.706.737	101.236	3.520.047
Medium and Long-Term	-	10.452.083	-	7.136.624
Total	**114.947**	**16.158.820**	**101.236**	**10.656.671**

Deposit is the most significant fund source of the Bank and does not present any risk concentration with its consistent structure extended to a wide base. Credits obtained predominantly consist of funds provided by financial institutions abroad having different characteristics and maturity-interest structure such as syndication, securitization, post-financing. There exist no risk concentration on the fund sources of the Bank.

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

As of December 31, 2017, the Bank's liabilities comprise; 54% deposits (December 31, 2016 – 53%), 13% funds borrowed (December 31, 2016 – 11%), 6% issued bonds (December 31, 2016 – 4%) and 5% Money Market Debts (December 31, 2016 – 6%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	**1.801.841**	**-**	**1.486.631**	**-**
Financial institutions and organizations	1.771.995	-	1.458.885	-
Other institutions and organizations	15.494	-	10.315	-
Real persons	14.352	-	17.431	-
From foreign transactions	**6.724**	**4.631.256**	**8.413**	**3.519.709**
Financial institutions and organizations	-	4.631.256	-	3.519.709
Other institutions and organizations	6.724	-	8.413	-
Real persons	-	-	-	-
Total	**1.808.565**	**4.631.256**	**1.495.044**	**3.519.709**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

5. Information on securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.975.932	57.156	1.124.543	53.683
Bills	103.821	4.776.661	-	3.133.345
Total	**3.079.753**	**4.833.817**	**1.124.543**	**3.187.028**

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

6. If other liabilities account exceeds 10% of total liabilities excluding the off-balance sheet items, information given about components of other liabilities account that exceeds 20% of the individual liability item in the unconsolidated balance sheet

Other liabilities do not exceed 10% of total liabilities excluding the off-balance sheet items (December 31, 2016 - None).

7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Interest rate and cash flow of the Bank are the main criteria which are taken into consideration determination of payment plans in the leasing contracts.

7.1. Changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (December 31, 2016- None).

7.2. Financial Lease Payables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	3.141	2.851	786	704
Between 1 - 4 years	4.239	3.848	264	236
More than 4 years	-	-	-	-
Total	**7.380**	**6.699**	**1.050**	**940**

7.3. Information on operational lease

Operational lease payments are recognized as an expense in the income statement on a straight-line basis over the lease terms. The Bank arranges operating lease arrangements for some of its ATM and branches. The lease contract is done on a yearly basis and the payment is made upfront each year and realized as an expense under the "Other Assets" account.

7.4. Information on "Sale -and- lease back" agreements

The Bank does not have any sale-and-lease back transactions in the current period (December 31, 2016 - None).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (*)	16.615	197.837	-	190.559
Cash Flow Hedge (**)	280.204	34.667	196.239	39.930
Net Investment Hedge	-	-	-	-
Total	**296.819**	**232.504**	**196.239**	**230.489**

(*) Derivative financial instruments for hedging purposes include swaps. As of December 31, 2017, TL 41.598 (December 31, 2016 – TL 27.211) represents the fair value of derivatives which are the hedging instruments of hedged loan portfolio, TL 168.798 (December 31, 2016 –TL 163.348) represents security portfolio and, TL 4.056 (December 31, 2016 – TL 0) represent issued bonds (December 31, 2016 – TL 0).

(**) Represents the fair values of derivatives which are the hedging instruments of deposits' cash flow risk.

9. Information on provisions

9.1. Information on general provisions

	Current Period	Prior Period
Provisions for Loans and Receivables in Group I	1.124.990	967.651
Provisions for Loans and Receivables in Group II	120.163	181.934
Provisions for Non - Cash Loans	91.845	99.685
Other	59.270	39.124
Total	**1.396.268**	**1.288.394**

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

	Current Period	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans (*)	3.573	438

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

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

The specific provision for non-cash loans which are related with the non-performing cash loans in arrears or the loans which were written off from balance sheet is TL 45.014 (December 31, 2016 - TL 41.241).

9.4. Information on employee termination benefits and unused vacation accrual

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in TAS 19 and reflected these accompanying financial statements.

As of December 31, 2017, TL 175.627 (December 31, 2016 - TL 138.930) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2017, the Bank accrued TL 42.089 (December 31, 2016 – TL 38.488) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2017, TL 139.328 (December 31, 2016- TL 99.177) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9.4.1. Movement of employee termination benefits

	Current Period	Prior Period
	01.01-31.12.2017	**01.01-31.12.2016**
As of January 1	138.930	125.433
Service Cost	18.619	18.142
Interest Cost	15.367	13.417
Settlement / curtailment / termination loss	10.003	11.420
Paid during the period	32.067	(2.389)
	(39.359)	(27.093)
Total	**175.627**	**138.930**

9.5. Information on other provisions

9.5.1. Information on special provisions for possible risks:

Apart from the information provided in 9.3, the other provisions are given below as follows:

	Current Period	Prior Period
General reserves for possible risks	-	-
Other provisions made for close monitoring loans portfolio	108.450	39.901
Provision for Promotion Expenses of Credit Cards	9.356	7.707
Other Provisions	144.327	114.804
Total	**262.133**	**162.412**

As of December 31, 2017, The Bank has no made a provision for the possible risks (December 31, 2016- None).

10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

As of December 31, 2017, the Bank has TL 446.266 current tax liability (December 31, 2016 - TL 207.969) and TL 41.097 prepaid tax (December 31, 2016 - TL 19.937).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	405.169	188.032
Banking and Insurance Transaction Tax (BITT)	56.775	42.253
Taxation on Securities Income	1.953	2.013
Taxation on Real Estates Income	63.463	51.701
Other	23.139	23.658
Total	**550.499**	**307.657**

The "Corporate Taxes Payable" balance is presented in the "Current Tax Liability" account and other taxes are presented in the "Other Liabilities" account in the accompanying unconsolidated financial statements.

10.1.3. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	20.809	15.895
Social Security Premiums - Employer Share	18.187	16.988
Unemployment Insurance - Employee Share	1.205	1.118
Unemployment Insurance - Employer Share	2.408	2.235
Total	**42.609**	**36.236**

10.1.4. Information on deferred tax liability

As of December 31, 2017 the Bank has TL 53.064 deferred tax liability (December 31, 2016 - TL 33.517 deferred tax asset).

According to the TAS 12, the deferred tax assets and liabilities are netted off in the accompanying financial statements. As of December 31, 2017 the Bank has presented the net amount of deferred tax asset of TL 337.781 (December 31, 2016 – TL 275.791) and deferred tax liability of TL 390.845 (December 31, 2016 –TL 242.274) in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax asset amounting to TL 16.906 (December 31, 2016 – TL 104.229 deferred tax asset) is netted in the equity.

	Accumulated Temporary Differences		Deferred Tax Assets/ (Liabilities)	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Provision for Employee Rights	357.044	276.595	79.140	55.319
Difference Between the Book Value of Financial Assets and Tax Base	431.140	449.221	106.505	89.844
Other	694.212	653.138	152.136	130.628
Deferred Tax Assets			**337.781**	**275.791**
Difference Between the Book Value Financial Fixed Assets and Tax Base	(232.976)	(204.448)	(47.125)	(40.890)
Difference Between the Book Value of Financial Assets and Tax Base	(965.480)	(795.870)	(222.151)	(159.174)
Other	(572.883)	(211.048)	(121.569)	(42.210)
Deferred Tax Liabilities			**(390.845)**	**(242.274)**
Deferred Tax Assets/(Liabilities), Net			**(53.064)**	**33.517**

	Current Period 01.01-31.12.2014	Prior Period 01.01-31.12.2013
Deferred Tax as of January 1 Active/ (Passive) - Net	33.517	78.968
Deferred Tax (Loss) / Gain	742	(97.926)
Deferred Tax that is Realized Under Shareholder's Equity	(87.323)	52.475
Deferred Tax Active/ (Passive) - Net	**(53.064)**	**33.517**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

11. Information on payables related to assets held for sale

None (December 31, 2016 – None).

12. Information on subordinated loans

	Current Period		Prior Period		
	TL	FC	TL	FC	
From Domestic Banks	-	-	-	-	
From Other Domestic Institutions	-	-	-	-	
From Foreign Banks	-	3.510.837	-	3.235.793	
From Other Foreign Institutions	-	-	-	-	
Total		**-**	**3.510.837**	**-**	**3.235.793**

The Bank received USD 650 million of subordinated loans during 2008 and USD 325 million of subordinated loans during 2009 from its former main shareholder, National Bank of Greece S.A. The loan amounting to USD 325 million which was received in 2008 is closed in 2010 to be used in capital increase. In addition, the Bank received USD 260 million subordinated loan in 2011 from National Bank of Greece S.A. Aforementioned subordinated loans are subject to interest payment every 6 months and principal payment at maturity.In accordance with the share purchase agreement signed on 21 December 2015, mentioned subordinated loans was transferred to QNB as of June 15, 2016 with remaining unchanged all terms and conditions. USD 325 million of existing subordinated loans will mature in 2021, USD 325 million will mature in 2020. The subordinated loan amounting to USD 260 million was renewed as the current maturity 2027, in line with Basel III on May 22, 2017.

13. Information on shareholder's equity

13.1. Paid-in capital

	Current Period	Prior Period
Common Stock	3.350.000	3.150.000
Preferred Stock	-	-

13.2. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital

Capital System	Paid-in Capital	Ceiling
Registered Capital System	3.350.000	12.000.000

13.3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period

Increase Date	Increase Amount	Cash	Profit Reserves held subject to the Increase	Capital Reserves Held Subject to the Increase
August 21, 2017	200.000	-	200.000	-

13.4. Information on share capital increases from revaluation funds

None (December 31, 2016 – None).

13.5. Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments

The Bank does not have any capital commitments, all of the capital is fully paid-in.

13.6. Prior periods' indicators related with the Bank's income, profit and liquidity and the possible effects of the uncertainties in these indicators on the Bank's equity

None (December 31, 2016 – None).

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

None (December 31, 2016 – None).

14. Common stock issue premiums, shares and equity instruments

	Current Period	Prior Period
Number of Stocks (Thousands)	33.500.000	31.500.000
Preferred Capital Stock	-	-
Common Stock Issue Premiums (*)	714	714
Common Stock Withdrawal Profits	-	-
Other Capital Instruments	-	-

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

15. Securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control	**388.744**	**-**	**316.069**	**-**
Valuation Difference	388.744	-	316.069	-
Foreign Exchange Rate Difference	-	-	-	-
Securities Available-for-Sale	**(53.163)**	**(176.412)**	**(40.675)**	**(379.478)**
Valuation Difference	(53.163)	(176.412)	(40.675)	(379.478)
Foreign Exchange Rate Difference	-	-	-	-
Total	**335.581**	**(176.412)**	**275.394**	**(379.478)**

16. Accrued interest and expenses

The details of accrued interest and expenses allocated to the related items on the liability side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Deposits	358.992	57.106	207.571	29.299
Derivative Financial Liabilities Held for Trading	1.871.878	198.892	2.387.017	214.921
Funds Borrowed	1.786	126.212	1.385	71.325
Money Market Borrowings	1.900	16.306	1.293	8.699
Derivative Financial Liabilities Held for Hedging Purposes	296.819	232.504	196.239	230.489
Securities Issued	2.921	39.745	-	34.927
Other Accruals	120.130	407	94.880	125
Total	**2.654.426**	**671.172**	**2.888.385**	**589.785**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

III. EXPLANATIONS AND DISCLOSURES RELATED TO OFF-BALANCE SHEET ITEMS

1. Information related to off-balance sheet contingencies

1.1. Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	17.115.833	16.396.189
Commitment For Use Guaranteed Credit Allocation	9.774.575	19.365.124
Forward Asset Purchase Commitments	2.876.502	1.216.540
Payment Commitments for Cheques	2.754.045	2.707.388
Other Irrevocable Commitments	1.056.395	1.580.388
Commitments for promotions related with credit cards and banking activities	45.880	19.721
Tax and Fund Liabilities due to Export Commitments	15.358	10.267
Capital commitments of associates and subsidiaries	-	30.000
Total	**33.638.588**	**41.325.617**

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

Specific provision is provided for the non-cash loans amounting to TL 45.014 (December 31, 2016 - TL 41.241) followed in the off-balance sheet accounts that are not indemnified and liquidated yet.

1.3 Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Bank Loans	3.012.892	1.255.477
Letters of Credit	1.783.291	1.121.818
Other Guarantees	-	-
Total	**4.796.183**	**2.377.295**

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

	Current Period	Prior Period
Provisional Letters of Guarantee	920.541	719.081
Final Letters of Guarantee	6.387.607	5.179.891
Advance Letters of Guarantee	822.037	500.730
Letters of Guarantee Given to Customs Offices	457.444	347.024
Other Letters of Guarantee	5.931.237	4.059.989
Total	**14.518.866**	**10.806.715**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	**2.315.378**	**1.116.069**
Less Than or Equal to One Year with Original Maturity	681.540	256.881
More Than One Year with Original Maturity	1.633.838	859.188
Other Non-Cash Loans	**16.999.671**	**12.067.941**
Total	**19.315.049**	**13.184.010**

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3. Information on risk concentration in sector terms in non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	**44.952**	**0,51**	**2.855**	**0,03**	**34.061**	**0,47**	**6.774**	**0,11**
Farming and Raising Livestock	40.054	0,45	-	-	32.713	0,46	265	-
Forestry	2.375	0,03	-	-	251	-	-	-
Fishing	2.523	0,03	2.855	0,03	1.097	0,01	6.509	0,11
Manufacturing	**1.261.085**	**14,27**	**4.430.301**	**42,29**	**1.047.136**	**14,60**	**2.993.067**	**49,78**
Mining and Quarrying	48.598	0,55	36.769	0,35	49.329	0,69	32.428	0,54
Production	990.927	11,21	3.888.686	37,12	836.199	11,66	2.381.804	39,61
Electricity, gas and water	221.560	2,51	504.846	4,82	161.608	2,25	578.835	9,63
Construction	**2.769.132**	**31,33**	**782.143**	**7,47**	**2.243.8533**	**31,29**	**807.527**	**13,43**
Services	**4.095.605**	**46,33**	**2.555.222**	**24,39**	**3.748.165**	**52,28**	**2.155.411**	**35,85**
Wholesale and Retail Trade	2.475.606	28,01	954.016	9,11	2.186.915	30,50	876.553	14,58
Hotel, Food and Beverage Services	75.523	0,85	85.148	0,81	101.628	1,42	84.316	1,40
Transportation&Communication	193.455	2,19	280.352	2,66	182.535	2,55	212.038	3,53
Financial Institutions	773.612	8,75	838.847	8,01	753.766	10,51	726.130	12,07
Real Estate and Renting Services	8.232	0,09	611	0,01	3.484	0,05	2.114	0,04
Self-Employment Services	274.603	3,11	36.769	0,35	257.428	3,59	46.888	0,78
Educational Services	6.262	0,07	-	-	5.747	0,08	-	-
Health and Social Services	288.312	3,26	359.479	3,43	256.662	3,58	207.372	3,45
Other	**668.642**	**7,56**	**2.705.112**	**25,82**	**97.791**	**1,36**	**50.225**	**0,83**
Total	**8.839.416**	**100,00**	**10.475.633**	**100,00**	**7.171.006**	**100,00**	**6.013.004**	**100,00**

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

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

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

	I. Group		II. Group	
Prior Period (*)	TL	FC	TL	FC
Letters of Guarantee	6.939.103	3.529.492	187.530	109.349
Bills of Exchange and Acceptances	7.421	1.248.034	-	22
Letters of Credit	5.000	1.115.882	-	936
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**6.951.524**	**5.893.408**	**187.530**	**110.307**

(*) Does not include non-cash loans amounting to TL 41.241, for which provision is provided, but which are not indemnified and not liquidated yet.

5. Information on derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**121.908.563**	**99.538.902**
Forward transactions(*)	13.539.343	11.595.556
Swap transactions	100.507.782	78.279.086
Futures transactions	209.931	74.460
Option transactions	7.651.507	9.589.800
Interest Related Derivative Transactions (II)	**20.280.668**	**16.261.062**
Forward rate transactions	-	-
Interest rate swap transactions	20.280.668	16.261.062
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	**628.716**	**882.950**
A.Total Trading Derivative Transactions (I+II+III)	**142.817.947**	**116.682.914**
Types of hedging transactions		
Fair value hedges	18.276.951	15.094.984
Cash flow hedges	35.285.822	22.704.240
Net investment hedges	-	-
B.Total Hedging Related Derivatives	**53.562.773**	**37.799.224**
Total Derivative Transactions (A+B)	**196.380.720**	**154.482.138**

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

As of December 31, 2017, breakdown of the Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell (*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
Current Period									
TL	2.025.349	3.490.468	25.434.643	39.778.171	1.485.641	2.140.793	23.358	-	-
USD	2.911.735	2.807.392	54.053.535	35.652.459	1.864.077	1.476.317	81.855	104.718	628.716
EURO	1.687.149	484.620	7.254.375	9.890.538	398.344	193.758	-	-	-
Other	96.686	35.944	2.164.520	122.982	63.161	29.416	-	-	-
Total	**6.720.919**	**6.818.424**	**88.907.073**	**85.444.150**	**3.811.223**	**3.840.284**	**105.213**	**104.718**	**628.716**

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

	Forward Buy(**)	Forward Sell (**)	Swap Buy (*)	Swap Sell (*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
Prior Period									
TL	2.830.861	1.642.795	21.407.238	30.913.210	2.355.495	2.147.106	-	-	-
USD	2.198.997	3.183.658	40.432.094	28.905.387	1.975.445	2.432.743	37.230	37.230	882.950
EURO	701.431	952.940	5.045.532	4.404.674	372.903	202.619	-	-	-
Other	27.872	57.002	1.187.504	43.733	53.919	49.570	-	-	-
Total	**5.759.161**	**5.836.395**	**68.072.368**	**64.267.004**	**4.757.762**	**4.832.038**	**37.230**	**37.230**	**882.950**

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

5.1 Fair value hedge accounting

a) Loans

The 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 4.757.337 (December 31, 2016 – TL 3.532.426) were subject to hedge accounting by swaps with a nominal of TL 4.973.074 (December 31, 2016 – TL 3.456.411). On December 31, 2017 the net market valuation difference income amounting to TL 34.461 due to the loss from loans amounting to TL 5.235 (December 31, 2016 – TL 103.915 gain) and losses from swaps amounting to TL 36.696 (December 31, 2016 – TL 80.194 loss) is accounted for under "gains / (losses) from financial derivatives transactions" line in the accompanying financial statements.

As of balance sheet date project finance loans amounting to TL 188.632 (December 31, 2016 – TL 168.103) have been subject to hedge accounting with swaps with a nominal amount of TL 179.136 (December 31, 2016 – TL 160.939). In 2017, TL 1.196 net fair valuation difference loss, net of TL 2.014 (december 30, 2016 – TL 2.379 gain) loss from loans and TL 818 (December 31, 2016 – TL 619 loss) gain from swaps has been recorded under "Gains / (loss) from financial derivatives transactions" on accompanying financial statements.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 9.606 (December 31, 2016 – TL 21.275) related to the loans that are ineffective for hedge accounting under "gains / (losses) from financial derivatives transactions" as loss during the current period.

b) Investment securities available for sale

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Bank using swaps as hedging instruments. As of the balance sheet date; Eurobonds with a nominal of USD 371.7 million and EUR 75.412 million (December 31, 2016 – USD 378,7 million and EUR 75.8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. As of December 31, 2017, the net market valuation difference loss is amounting to TL 945, due to gain from Eurobonds amounting to TL 4.794 (December 31, 2016 – TL 5.443 gain) and loss from swaps amounting to TL 5.739 (December 31, 2016 – TL 3.002 losses) is accounted for under "gains / (losses) from financial derivatives transactions" line in the accompanying financial statements.

The Bank does not apply fair value hedge on TL government bonds in the current period (As of December 31, 2016 - None).

c) Bonds issued

The Bank applies fair value hedge accounting to hedge against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 283 million (December 31, 2016 – USD 283 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2017, TL 267 net fair valuation difference gains, net of TL 6.669 (December 31, 2016-TL 7.525 gain) income from issued bonds and TL 6.402 (December 31, 2016 – TL 7.981 loss) loss from swaps, has been recorded under "Gains / (losses) from financial derivatives transactions" on accompanying financial statements.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

d) Tangible assets

The Bank has designated fair value hedge accounting through foreign currency fundings to be hedged from fair value changes resulting from currency changes in real estate property which has been bought in foreign currency and has a market value denominated in foreign currency. Immovable having a carrying value at an amount of USD 380 million is subjected to hedge accounting with securities issued. The Main Partner Bank has recognized a cumulative amount of TL 400.552 mark to market exchange difference income (December 31, 2016 – TL 298.423 exchange difference income) whose TL 102.128 portion is a mark-to-market exchange difference income in current period from aforementioned immovable. The aforementioned exchange difference income will be amortized through the economic life of immovable which is the subject of hedging.

e) Borrowings

The 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, 2016: EUR 30 million) is subjected to hedge accounting with a swap having the same amount. A net mark to market difference profit at an amount of TL 13 (December 31, 2016: TL 22 loss) sourcing from Credit at an amount of TL 521 (December 31, 2016: TL 2.160 loss) gain and TL 508 (December 31, 2016: TL 2.182 gain) loss from swaps is recognized under "Gains/losses from Derivative Financial Transactions".

5.2 Cash flow hedge accounting

a) Deposit

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity until 3 month, the Bank implements cash flow hedge accounting with interest rate swaps. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 5.210.000 are subject to hedge accounting as hedging instruments (December 31, 2016 – TL 5.270.130). As a result of the mentioned hedge accounting, fair value gains before taxes amounting to TL 106.616 are accounted for under equity during the current period (December 31, 2016 – TL 51.278 loss). The gain amounting to TL 676 (December 31, 2016 – TL 2 gain) relating to the ineffective portion is accounted for at the income statement.

As of the balance sheet date, swaps with a nominal amount of USD 2.753 million (December 31, 2016 – USD 1.737 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 319 million (December 31, 2016 –EUR 139 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value gains before taxes amounting to TL 121.387 are accounted for under equity during the current period (December 31, 2016 – TL 6.746 gain). The loss amounting to TL 248 (December 31, 2016 – TL 636 loss) relating to the ineffective portion is accounted for at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness. In the current period there is loss of TL 1.327 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (December 31, 2016 – TL 18.624 gain).

The measurements as of December 31, 2017, hedge of cash flow transactions stated above are determined as effective.

b) Subordinated Loans

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to USD 260 million are subject to hedge accounting as hedging instruments (December 31, 2016 – None). As a result of the mentioned hedge accounting, fair value gains before taxes amounting to TL 11.673 are accounted for under equity during the current period (December 31, 2016 – None). Regarding the ineffective portions it reflects income statement with TL 688 gain (December 31, 2016 – None).

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

The measurements as of December 31, 2017, hedge of cash flow transactions stated above are determined as effective.

6. Credit derivatives and risk exposures on credit derivatives

As of December 31, 2017, the Bank has no commitments “credit linked notes” (As of December 31, 2016 - None).

As of December 31, 2017, “Other Derivative Financial Instruments” with nominal amount of USD 165.000.000 (December 31, 2016: USD 250.000.000) are included in Bank’s “Swap Interest Sell Transactions.” In aforementioned transaction, the Bank is the seller of the protection for USD 165.000.000.

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL 44.781 (December 31, 2016 - TL 24.635) for litigation and has accounted for it in the accompanying financial statements under the “Other Provisions” account (Section Five, part II.9.5). Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

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

9. Information on the Bank’s rating by international rating institutions

MOODY’S March 2017		FITCH March 2017		CI August 2017	
Long-Term Deposit Rating (FC)	Ba2	Long -Term Foreign Curr.	BBB-	Long-Term Foreign Curr.	BB+
Long-Term Deposit Rating (TL)	Ba1	Short-Term Foreign Curr.	F3	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	BBB-	FC Appearance	Negative
Short-Term Deposit Rating (TL)	NP	Short-Term TL	F3	Financial Strength Rating	BBB
Main Credit Evaluation	ba3	Long-Term National	AAA(tur)	Financial Strength Appearance	Negative
Appearance	Negative	Appearance	Stable	Support	2
Long term Foreign Currency Denominated Debt (FC)	Ba1	Support	2		
		Long term Foreign Currency Denominated Debt (FC)	BBB-		
		Financial Capacity Rating	bb+		

SECTION FIVE

IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT

1. a) Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	3.428.933	61.137	3.458.341	42.704
Medium and Long-Term Loans	4.981.504	765.103	3.623.367	516.563
Non-Performing Loans	83.175	-	94.501	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total	**8.493.612**	**826.240**	**7.176.209**	**559.267**

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank (*)	-	1	-	756
Domestic Banks	184.786	432	2.422	23
Foreign Banks	2.065	12.959	1.494	5.222
Foreign Headquarters and Branches	-	-	-	-
Total	**186.851**	**13.392**	**3.916**	**6.001**

(*) The interest income on Required Reserve amounting TL 113.120 is not included into interest income on Banks. (December 31, 2016: TL 52.930).

c) Information on interest income from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Held-for-Trading Financial Assets	4.848	496	3.248	-
Financial Assets at FVTPL	1.854	44	4.231	219
Investment Securities Available for Sale	470.587	147.203	362.729	121.143
Investment Securities Held to Maturity	454.891	161.388	278.755	72.163
Total	**932.180**	**309.131**	**648.963**	**193.525**

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity portfolios. As disclosed in ‘Inflation Indexed Bonds Manual’ published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The Bank determines the estimated inflation rates used for valuation of securities in line with this. In this context, the estimated inflation rate used is updated during the year when necessary. In this context, as of December 31, 2017, valuation of such assets is made according to estimated annual inflation rate of 11,90%.

d) Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	13.731	11.808

2. a) Information on interest expense related to funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	**7.064**	**589.853**	**6.989**	**335.546**
T.R. Central Bank	-	-	-	-
Domestic Banks	7.023	3.043	6.965	2.150
Foreign Banks	41	586.810	24	333.396
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	**7.064**	**589.853**	**6.989**	**335.546**

b) Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	66.551	10.639

c) Information on interest expense paid to securities issued

As of December 31, 2017 interest paid to securities issued is TL 438.658 (December 31, 2016 – TL 279.722).

d) Information on maturity structure of interest expenses on deposits (Current Period)

		Time Deposits						
Account	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	49.209	3.115	-	-	-	-	52.324
Saving Deposits	1	228.997	1.808.348	119.927	51.389	116.413	-	2.325.075
Public Sector Deposits	-	402	3.160	211	18	13	-	3.804
Commercial Deposits	1	331.586	508.396	47.800	83.607	58.914	-	1.030.304
Other Deposits	-	5.929	43.732	9.728	28.138	469	-	87.996
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**2**	**616.123**	**2.366.751**	**177.666**	**163.152**	**175.809**	**-**	**3.499.503**
Foreign Currency								
Deposits	-	28.875	413.183	36.454	18.873	12.579	-	509.964
Bank Deposits	300	49.366	5.573	1.418	2.743	-	-	59.400
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	886	-	-	-	-	-	886
Total	**300**	**79.127**	**418.756**	**37.872**	**21.616**	**12.579**	**-**	**570.250**
Grand Total	**302**	**695.250**	**2.785.507**	**215.538**	**184.768**	**188.388**	**-**	**4.069.753**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Information on maturity structure of interest expense on deposits (Prior Period)

		Time Deposits						
Account	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	18.523	6.312	237	427	-	-	25.499
Saving Deposits	-	234.421	1.586.095	66.009	33.551	92.527	-	2.012.603
Public Sector Deposits	-	288	6.707	159	241	12	-	7.407
Commercial Deposits	1	182.099	454.173	59.184	21.198	19.613	-	736.268
Other Deposits	-	3.685	70.692	28.024	44.211	1.693	-	148.305
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**1**	**439.016**	**2.123.979**	**153.613**	**99.628**	**113.845**	**-**	**2.930.082**
Foreign Currency								
Deposits	-	28.802	277.304	19.137	5.452	9.424	-	340.119
Bank Deposits	98	16.191	5.655	968	-	-	-	22.912
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	659	-	-	-	-	-	659
Total	**98**	**45.652**	**282.959**	**20.105**	**5.452**	**9.424**	**-**	**363.690**
Grand Total	**99**	**484.668**	**2.406.938**	**173.718**	**105.080**	**123.269**	**-**	**3.293.772**

e) Information on interest expense on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on Repurchase Agreements (*)	79.099	75.553	180.552	31.493

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

f) Information on finance lease expenses

	Current Period	Prior Period
Finance Lease Expenses	307	145

g) Information on interest expense on factoring payables

None (December 31, 2016 – None).

3. Information on dividend income

	Current Period	Prior Period
From Trading Securities	-	-
From Financial assets at fair value through profit and loss	-	-
From Available for Sale Financial Assets	-	-
Other	14.499	57
Total	**14.499**	**57**

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

4. Information on trading income/loss

	Current Period	Prior Period
Trading Income	**9.956.145**	**7.724.633**
Gains on Capital Market Operations	26.121	29.687
Derivative Financial Instruments	5.801.054	4.027.905
Foreign Exchange Gains	4.128.970	3.667.041
Trading Loss (-)	**11.190.302**	**8.401.680**
Losses on Capital Market Operations	22.121	15.698
Derivative Financial Instruments	7.058.552	4.741.393
Foreign Exchange Losses	4.109.629	3.644.589
Net Trading Income/Loss	**(1.234.157)**	**(677.047)**

5. Information on other operating income

The Bank recorded the current year collections from loans written off in the previous period, portfolio management fees and expense accrual cancelations in “Other Operating Income” account.

6. Provision for losses on loans and other receivables

	Current Period	Prior Period
Specific Provisions For Loans and Other Receivables	**1.056.549**	**1.377.158**
Loans and Receivables in Group III	330.313	258.291
Loans and Receivables in Group IV	194.039	294.699
Loans and Receivables in Group V	532.197	824.168
Provision for Loans Under Close Monitoring	**68.549**	**(66.340)**
General Provisions	**107.874**	**97.991**
Provision Expenses for Possible Losses	**-**	**(100.000)**
Impairment Losses on Securities	**-**	**-**
Financial assets at fair value through profit or loss	-	-
Investment securities available for sale	-	-
Impairment Losses on Associates, Subsidiaries and	**-**	**-**
Associates	-	-
Subsidiaries	-	-
Entities under common control	-	-
Investment securities held-to-maturity	-	-
Other	**468**	**7.137**
Total	**1.233.440**	**1.315.946**

7. Information on other operating expenses

	Current Period	Prior Period
Personnel costs	1.253.346	1.138.118
Reserve for employee termination benefits	4.630	15.886
Provision for pension fund deficits	-	-
Impairment losses on tangible assets	-	-
Depreciation charge of tangible assets	139.471	139.609
Impairment losses on intangible assets	-	-
Impairment losses on goodwill	-	-
Amortization charge of intangible assets	112.518	106.812
Impairment losses on investments under equity method of accounting	-	-
Impairment losses on assets to be disposed of	-	-
Depreciation on assets to be disposed	-	6.164
Impairment charge of assets held for sale and discontinued operations	-	-
Other operating expenses	1.043.318	917.505
Operational lease related expenses	*221.125*	*223.672*
Repair and maintenance expenses	*146.124*	*123.767*
Advertisement expenses	*93.260*	*80.002*
Other expenses	*582.809*	*490.064*
Losses on sales of assets	376	2.726
Other (*)	413.552	473.664
Total	**2.967.211**	**2.800.484**

(*) Comprising repayments amounting to TL 20.879 (December 31, 2016: TL 76.304) 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 year ended December 31, 2017, net interest income in regards to continued operations of TL 5.651.601 (December 31, 2016 – TL 4.504.103), net fees and commission income of TL 1.685.893 (December 31, 2016 – TL 1.362.603) and other operating income of TL 131.780 (December 31, 2016 – TL 410.535) constitute an important part of the income.

9. Explanations on tax provision for continued and discontinued operations

9.1. Current period taxation benefit or charge and deferred tax benefit or charge

As of December 31, 2017, the Bank has recorded tax charge TL 446.266 (December 31, 2016 – TL 182.485 tax charge) and a deferred tax income of TL 742 (December 31, 2016 – TL 97.926 deferred tax income) from its continuing operations.

9.2. Explanations on operating profit/loss after taxes

None (December 31, 2016 – None).

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

Net profit of the Bank from continued operations is TL 1.603.441 (December 31, 2016 – TL 1.203.410).

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD END DECEMBER 31, 2017
(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 Bank's performance for the period

None (December 31, 2016 – None).

11.2. Effect of changes in accounting estimates on income statement for the current and for subsequent periods.

None.

11.3. There is no profit or loss attributable to minority shares.

11.4. There are no changes in the nature and amount of accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

V. EXPLANATIONS AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1. Changes resulting from valuation of available for sale securities

Net increase of TL 190.578 (December 31, 2016 – TL 175.894 net decrease) after tax effect resulting from valuation of available for sale securities at fair values is included in "Securities Value Increase Fund" account under shareholders' equity.

2. Explanations on foreign exchange differences

None.

3. Explanations on dividend

3.1. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2016 profit as stated below at the Ordinary General Assembly held on March 30, 2017.

2016 profit distribution table:

Current Year Profit	1.203.410
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(60.171)
B - The First Dividend for Shareholders(*)	(157.500)
C – Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(985.739)

(*)Distributed as bonus share

3.2. Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (December 31, 2016- Profit distribution for 2016 is detailed in footnote 3.1).

3.3. Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained Earnings	60.171	35.289

4. Information on issuance of share certificates

4.1 The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (December 31, 2016 - None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

The Bank has increased its paid-in capital through internal reserves amounting to TL 200.000 and TL 150.000, respectively in 2017 and 2016.

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

SECTION FIVE

VI. EXPLANATIONS AND DISCLOSURES RELATED TO CASH FLOWS STATEMENT

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

"Other items" amounting to TL 2.048.058 (December 31, 2016 – TL 1.685.783) in "Operating profit before changes in operating assets and liabilities" consist of commissions paid amounting to TL 363.096 (December 31, 2016 – TL 263.920), net trading income/loss by TL 50.908 (December 31, 2016 – TL 1.285.878 net trading income/loss) and other operating expenses amounting to TL 1.735.870 (December 31, 2016 – TL 2.707.241).

"Other items" in changes in operating assets amounting to TL 446.374 (December 31, 2016- TL 569.698) consist of the increase in collaterals given by TL 179.491 (December 31, 2016- TL 272.634 decrease) and the decrease in other assets by TL 625.865 (December 31, 2016 - TL 842.332 increase).

"Other items" in changes in operating liabilities amounting to TL 650.456 (December 31, 2016- TL 3.026.532) consist of the decrease in money market borrowings by TL 33.854 (December 31, 2016- TL 1.876.007 increase), the decrease in sundry debtors and other liabilities by TL 584.535 (December 31, 2016- TL 1.150.525 increase) and the decrease in other capital reserves by TL 32.067 (December 31, 2016 – TL 0).

"Other items" in changes in net cash provided from banking operations amounting to TL 161.449 (December 31, 2016 – TL 123.021) includes the increase in intangible assets.

Effect of change in foreign currency on cash and cash equivalents is calculated as the difference between monthly average balances converted to TL using the currency rate at the beginning and at the end of the period and is TL 1.900 (December 31, 2016 – TL 92.080) as of December 31, 2017.

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	Current Period January 1, 2017	Prior Period January 1, 2016
Cash	**1.064.054**	**955.903**
Cash in TL	685.251	678.545
Cash in Foreign Currencies	376.428	274.820
Other	2.375	2.538
Cash Equivalents	**4.686.330**	**2.685.681**
Balances with the T.R. Central Bank	2.941.850	2.418.116
Banks	226.268	276.099
Money Market Placements	1.546.944	-
Less: Placements with Banks with Maturities Longer than 3 Months	(12.182)	-
Less: Accruals	(16.550)	(8.534)
Cash and Cash Equivalents	**5.750.384**	**3.641.584**

3. Information regarding the balances of cash and cash equivalents at the end of the period

	Current Period December 31, 2017	Prior Period December 31, 2016
Cash	**1.012.047**	**1.064.054**
Cash in TL	644.333	685.251
Cash in Foreign Currencies	340.629	376.428
Other	27.085	2.375
Cash Equivalents	**4.940.751**	**4.686.330**
Balances with the T.R. Central Bank	3.700.772	2.941.850
Banks	1.171.424	226.268
Money Market Placements	114.899	1.546.944
Less: Placements with Banks with Maturities Longer than 3 Months	(38.155)	(12.182)
Less: Accruals	(8.189)	(16.550)
Cash and Cash Equivalents	**5.952.798**	**5.750.384**

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 121.343 (December 31, 2016- TL 47.518) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the Bank's potential borrowings that can be used for ordinary operations or capital commitment

None.

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

SECTION FIVE

VII. EXPLANATIONS AND DISCLOSURES RELATED TO THE BANK'S RISK GROUP

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

1.1. As of December 31, 2017, the Bank's risk group has deposits, cash and non-cash loans at the Bank amounting to TL 738.760 (December 31, 2016 - TL 268.869) deposit, TL 331.694 (December 31, 2016 – TL 266.483) cash loan and TL 12.254 (December 31, 2016 - TL 7.482) non-cash loans, respectively.

Current Period

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	264.052	5.896	1.179	-	1.252	1.586
Balance at the End of the Period	330.935	10.384	613	-	146	1.870
Interest and Commission Income(***)	13.731	112	-	26	73	29

Prior Period

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	155.953	11.315	-	21.651	-	964
Balance at the End of the Period	264.052	5.896	1.179	-	1.252	1.586
Interest and Commission Income(***)	11.808	152	-	3	23	19

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the loans given to the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents Decemer 31, 2016 balance.

1.2. Information on deposits held by the Bank's risk group

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	89.151	265.905	-	-	179.718	258.905
Balance at the End of the Period	568.454	89.151	-	-	170.306	179.718
Interest on deposits(***)	66.551	10.639	-	-	15.903	15.743

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the deposits taken to the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents Decemer 31, 2016 balance.

1.3. Information on forward and option agreements and similar agreements made with the Bank's risk group

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	104.180	-	-	168.641	-	74.646
End of the Period	470.862	104.180	1.046	-	-	-
Total Income/Loss(***)	9.055	2.120	(19)	-	-	-
Transactions for Hedging Purposes						
Beginning of the Period						
End of the Period	-	-	-	-	-	-
Total Income/Loss(***)	-	-	-	-	-	-

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the derivative transactions between the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents Decemer 31, 2016 balance.

1.4. Information on benefits provided to top management

As of December 31, 2017, the total amount of remuneration and bonuses paid to top management of the Bank is TL 82.697 (December 31, 2016 – TL 63.247).

2. Disclosures of transactions with the Bank's risk group

2.1. Relations with entities in the risk group of / or controlled by the Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

2.2 In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

As of December 31, 2017, cash loans of the risk group represented 0,4% of the Bank's total cash loans (December 31, 2016 – 0,4%), the deposits represented 1,1% of the Bank's total deposits (December 31, 2016-0,5%) and derivative transactions represented 0,2% of the Bank's total derivative transactions (December 31, 2016 – 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 Bank enters into finance lease agreements with Finans Finansal Kiralama A.Ş. As of December 31, 2017, the Bank has net finance lease payables to Finans Finansal Kiralama A.Ş. amounting to TL 6.699 (December 31, 2016 - TL 940) relating with finance lease agreements.

The Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

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

Information about the Bank's subordinated loans is explained under Section 5, Part II. footnote 12.

The Bank provides agency services to Cigna Finans Emeklilik ve Hayat A.Ş., which is a jointly controlled entity with 49,00% shares held by the Bank.

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

SECTION FIVE

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC, FOREIGN AND OFF-SHORE BANKING BRANCHES AND FOREIGN REPRESENTATIVES

1. Information relating to the bank's domestic and foreign branch and representatives

	Number	Employees		Total Assets	Capital
Domestic Branch	579	12.007			
Foreign Representation	-	-	-		
Foreign Branch	1	8	1- Bahreyn	17.566.520	-
Off-shore Banking and Region Branches	-	-	-	-	-

SECTION SIX

OTHER EXPLANATIONS AND DISCLOSURES

I. Other explanations related to the Bank's operations

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

The Bank made a bond issuances at a nominal amount of TL 185.200 having 14,20% interest rate with 88 days maturity and at a nominal amount of TL 329,650 having 14,50% interest rate with 84 days maturity on January 5, 2018 and at a nominal amount of TL 227,550 having 14,45% interest rate with 84 days maturity on January 12, 2018 and at a nominal amount TL 396,900 having 14,35% interest with 75 days maturity on January 18, 2018 and at a nominal amount TL 90,000 having 14,60% interest with 175 days maturity and at a nominal amount TL 150,500 having 14,35% interest with 84 days maturity on January 19, 2018 and at a nominal amount TL 160,900 having 14,20% interest with 83 days maturity on January 24, 2018 and at a nominal amount TL 103,200 having 14,35% interest with 84 days maturity on January 26, 2018 and at a nominal amount of TL 294,000 having 14,31% interest rate with 92 days maturity on January 31, 2018 and at a nominal amount of TL 168.400 having 14,35% interest rate with 77 days maturity on February 2, 2018.

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

According to the decision dated January 17, 2018 which was taken by the General Assembly, "The Bank's trade name is changed from FINANS BANK A.Ş to QNB FINANSBANK A.Ş as of January 19, 2018.

SECTION SEVEN

INDEPENDENT AUDIT REPORT

I. Explanations on the Independent Audit Report

The unconsolidated financial statements for the year ended December 31, 2017 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's report dated February 2, 2018 is presented preceding the unconsolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2016 – None).

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Independent Auditor's Audit Report, Consolidated Financial Statements and Notes for the Period Ended December 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of QNB Finansbank Anonim Şirketi:

Report on the Audit of Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of QNB Finansbank A.Ş (the Bank) and its subsidiaries (together will be referred as "the Group"), which comprise the statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss accounted for under equity, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Accounting Standards (TAS) for the matters which are not regulated by these regulations.

Basis for Qualified Opinion

The Group management has reversed the free provision in 2016 income statement amounting to thousand TL 100.000 which were provided for possible results of the circumstances which may arise from possible changes in the economy and market conditions" in prior periods and does not comply with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" requirements. Since such provision has been reversed in 2016 income statement instead of restating prior year financial statements, 2016 net income has been overstated by thousand TL 100.000.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section we have determined the matter described below to be the key audit matters to be communicated in our report.

(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

Key Audit Matter	How the Key Audit Matter is addressed in our audit
Impairment on Loans and Advances	
Impairment of loans and receivables is a key area of judgement for the management. There is a potential risk of provision that has been provided or that will be provided may not meet the requirements of BRSA Accounting and Financial Reporting Legislation. Aforementioned risk is a failure in identifying the loans and receivables which are impaired and not providing the adequate provision for these impaired loans. Therefore, impairment of the loans and receivables is considered as a key audit matter. Related explanations regarding the financial statement relating to the impairment of loans and advances have been disclosed in "Section Five Note I.6".	Our audit procedures included among others, selecting samples of loans and receivables based on our judgement in order to identify whether there is objective evidence that impairment exists on these loans and receivables and the assess the adequacy of provision for those loans and receivables in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation. In addition our audit procedures include assessing the relevant controls over granting, booking, monitoring and derecognition and testing the design and operational effectiveness of the key controls in place for identifying impaired loans and the calculation of provisions which were provided for them.
Hedge accounting	
As explained in "Section Five Note III.5", the Group enters into hedge relationships to manage exposures to interest rate and foreign currency risks and applies hedge accounting. The Group uses of derivatives and other hedge relationships to hedge the financial risk of its loans and receivables, financial assets available for sale, deposits, marketable securities issued, borrowings and non-financial assets. Hedge accounting is considered as a key audit matter due to the potential risks in complying the eligibility criteria defined in TAS 39: "Financial instruments: Recognition and Measurement", calculation of fair value of financial instruments, documentation and effectiveness of hedge accounting.	Our audit procedures included among others include re-calculation of fair values of derivative financial instruments, the assessment of financial risk component, reviewing the effectiveness , documentations of all hedge accounting transactions and controlling the accounting entries of hedge accounting.
Derivative Financial Instruments	
Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency options, currency futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in "Section Five Note I.2 and Note II.2". Fair value of the derivative financial instruments is determined by selecting the most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered as a key audit matter due to the subjectivity in the estimates, assumptions and judgements used.	Our audit procedures included among others include reviewing fair valuation policies adopted by Group Management, re-calculation of samples basis fair values by our experts, assessing the estimations and judgements used in valuation and testing the assessment of operating effectiveness of the key controls in the process for fair value determination.

Responsibilities of Management and Directors for the Unconsolidated Financial Statements

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

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

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

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

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

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

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

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

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 – December 31, 2017 are not in compliance with the laws and provisions of the Bank's articles of association in relation to financial reporting.

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited

Damla Harman, SMMM
Partner

2 February 2018
İstanbul, Türkiye

QNB FİNANSBANK ANONİM ŞİRKETİ

THE CONSOLIDATED FINANCIAL REPORT OF FINANSBANK A.Ş. FOR THE YEAR ENDED DECEMBER 31, 2017

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

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 58 50
Web page	: www.qnbfinansbank.com
E-mail address	: investor.relations@qnbfinansbank.com

The consolidated financial report for the year ended December 31, 2017, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

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

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

Subsidiaries

1. Finans Finansal Kiralama Anonim Şirketi
2. Finans Yatırım Menkul Değerler Anonim Şirketi
3. Finans Portföy Yönetimi Anonim Şirketi
4. Finans Faktoring Anonim Şirketi
5. Hemenal Finansman Anonim Şirketi

Entities Under Common Control (Joint Ventures)

1. Cigna Finans Emeklilik ve Hayat Anonim Şirketi

Structured Entities

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

The consolidated financial statements and related disclosures and footnotes for the year ended December 31, 2017, are prepared in accordance with the Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying consolidated financial statements are presented in **thousands of Turkish Lira (TL).**

Ömer A. Aras
Chairman of the Board of Directors

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

Fatma Abdulla S.S. Al-Suwaidi
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

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

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

QNB Finansbank Anonim Şirketi (the Bank and/or the Parent 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 Bank in previous periods, and Qatar National Bank ("QNB") regarding the direct or indirect sales of NBG's shares, owned by affiliates and current associations of the Bank, at the rate of 99,81% to QNB at a price of EUR 2.750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82,23%, 7,90%, 9,68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (Finans Yatırım Menkul Değerler A.Ş., Finans Portföy Yönetimi A.Ş., 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 and the new logo of the Parent Bank has started to be used as "QNB FİNANSBANK" as of October 20, 2016.

According to the decision dated January 17, 2018 which was taken by the General Assembly "The Parent Bank's trade name is changed from FİNANS BANK A.Ş to QNB FİNANSBANK A.Ş as of January 19, 2018.

99,88% of shares of Parent Bank are controlled by Qatar National Bank as of December 31, 2017 and remaining 0,12% of related shares are public shares.

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2017
(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 and Member of the Audit Committee	June 23, 2016	Masters
Durmuş Ali Kuzu	Board Member and Member of the Audit Committee	August 25, 2016	Phd
Temel Güzeloğlu	Board Member and General Manager	April 16, 2010	Masters
Abdulla Mubarak N.Alkhalifa	Board Member	June 23, 2016	Graduate
Associate Prof. Osman Reha Yolalan	Board Member	June 21, 2016	Phd
Ali Rashid A.S.Al-Mohannadi	Board Member	June 16, 2016	Graduate
Noor Mohd J. A. Al-Naimi	Board Member	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
Özlem Cinemre	Executive Vice President	July 9, 1997	Graduate
Hakan Alp	Executive Vice President	July 7, 2010	Graduate
Erkin Aydın	Executive Vice President	May 16, 2011	Masters
Ömür Tan	Executive Vice President	October 28, 2011	Graduate
Halim Ersun Bilgici	Executive Vice President	March 15, 2013	Masters
Enis Kurtoğlu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Emel Yılmaz Özbay	Executive Vice President	February 12, 2016	Graduate
Engin Turhan	Executive Vice President	June 14,2016	Masters
Ahmet Erzengin	Head of the Department of Internal Control and Compliance	September 12,2012	Graduate
Bülent Yurdalan	Head of Department of Internal Systems	August 6,2013	Graduate
Ersin Emir	Head of Internal Audit	February 18,2011	Masters
Zeynep Aydın Demirkıran	Head of Risk Management	September 16,2011	Masters

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

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

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

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

The Parent Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets, securities operations and credit card operations. In addition, the Parent Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of December 31, 2017, the Parent Bank operates through 578 domestic (December 31, 2016 - 628), 1 foreign (December 31, 2016 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2016 - 1) branches. As of December 31 2017, the Group has 13.095 employees (December 31, 2016 - 13.557 employees).

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

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

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

All other subsidiaries are fully consolidated.

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

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017

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

I. CONSOLIDATED BALANCE SHEET – ASSETS

			Audited 31.12.2017			Audited 31.12.2016		
		Section 5 Part I	TL	FC	Total	TL	FC	Total
I.	**CASH AND BALANCES WITH THE CENTRAL BANK**	**(1)**	**2.130.940**	**13.751.332**	**15.882.272**	**1.929.861**	**11.174.023**	**13.103.884**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)**	**(2)**	**2.349.894**	**254.216**	**2.604.110**	**2.637.196**	**210.497**	**2.847.693**
2.1	Financial assets held for trading		2.339.315	254.216	2.593.531	2.614.225	210.497	2.824.722
2.1.1	Public sector debt securities		45.343	8.355	53.698	22.528	11.486	34.014
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Assets on trading derivatives		2.258.281	245.861	2.504.142	2.574.900	199.011	2.773.911
2.1.4	Other securities		35.691	-	35.691	16.797	-	16.797
2.2	Financial assets at fair value through profit and loss		10.579	-	10.579	22.971	-	22.971
2.2.1	Public sector debt securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Loans		10.579	-	10.579	22.971	-	22.971
2.2.4	Other securities		-	-	-	-	-	-
III.	**BANKS**	**(3)**	**17.657**	**1.282.115**	**1.299.772**	**48.150**	**263.916**	**312.066**
IV.	**MONEY MARKET PLACEMENTS**		**241.859**	**-**	**241.859**	**1.667.618**	**-**	**1.667.618**
4.1	Interbank money market placements		1.029	-	1.029	-	-	-
4.2	Istanbul Stock Exchange money market placements		240.830	-	240.830	367.013	-	367.013
4.3	Receivables from reverse repurchase agreements	(4)	-	-	-	1.300.605	-	1.300.605
V.	**INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)**	**(5)**	**5.120.273**	**3.229.602**	**8.349.875**	**4.152.070**	**2.880.043**	**7.032.113**
5.1	Equity securities		4.779	70.891	75.670	4.092	44.961	49.053
5.2	Public sector debt securities		5.115.196	3.143.191	8.258.387	4.147.680	2.796.651	6.944.331
5.3	Other securities		298	15.520	15.818	298	38.431	38.729
VI.	**LOANS AND RECEIVABLES**	**(6)**	**63.275.332**	**19.153.024**	**82.428.356**	**49.855.478**	**12.758.615**	**62.614.093**
6.1	Loans and receivables		62.471.877	19.153.024	81.624.901	49.233.093	12.758.615	61.991.708
6.1.1	Loans to risk group of the Bank		98	48	146	7	1.245	1.252
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		62.471.779	19.152.976	81.624.755	49.233.086	12.757.370	61.990.456
6.2	Non-performing loans		4.344.169	-	4.344.169	3.874.148	-	3.874.148
6.3	Specific provisions (-)		3.540.714	-	3.540.714	3.251.763	-	3.251.763
VII.	**FACTORING RECEIVABLES**	**(7)**	**1.285.314**	**95.688**	**1.381.002**	**698.479**	**52.491**	**750.970**
VIII.	**INVESTMENT SECURITIES HELD TO MATURITY (Net)**	**(8)**	**3.740.199**	**3.428.465**	**7.168.664**	**3.383.952**	**2.516.555**	**5.900.507**
8.1	Public sector debt securities		3.740.199	2.826.843	6.567.042	3.383.952	1.915.594	5.299.546
8.2	Other securities		-	601.622	601.622	-	600.961	600.961
IX.	**INVESTMENT IN ASSOCIATES (Net)**	**(9)**	**3.766**	**-**	**3.766**	**3.766**	**-**	**3.766**
9.1	Equity method associates		-	-	-	-	-	-
9.2	Unconsolidated		3.766	-	3.766	3.766	-	3.766
9.2.1	Financial Investments		-	-	-	-	-	-
9.2.2	Non-financial Investments		3.766	-	3.766	3.766	-	3.766
X.	**INVESTMENT IN SUBSIDIARIES (Net)**	**(10)**	**18.054**	**-**	**18.054**	**18.054**	**-**	**18.054**
10.1	Unconsolidated financial investments		-	-	-	-	-	-
10.2	Unconsolidated non-financial investments		18.054	-	18.054	18.054	-	18.054
XI.	**ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)**	**(11)**	**123.208**	**-**	**123.208**	**94.271**	**-**	**94.271**
11.1	Equity method entities under common control		120.408	-	120.408	91.471	-	91.471
11.2	Unconsolidated		2.800	-	2.800	2.800	-	2.800
11.2.1	Financial investments		-	-	-	-	-	-
11.2.2	Non-financial Investments		2.800	-	2.800	2.800	-	2.800
XII.	**LEASE RECEIVABLES (Net)**	**(12)**	**1.355.800**	**3.110.263**	**4.466.063**	**1.107.500**	**1.578.777**	**2.686.277**
12.1	Financial lease receivables		1.750.747	3.484.684	5.235.431	1.408.190	1.742.271	3.150.461
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		394.947	374.421	769.368	300.690	163.494	464.184
XIII.	**DERIVATIVE FINANCIAL ASSETS HEDGING PURPOSES**	**(13)**	**2.875.719**	**62.407**	**2.938.126**	**3.409.777**	**33.561**	**3.443.338**
13.1	Fair value hedge		1.964.761	28.732	1.993.493	2.346.595	18.509	2.365.104
13.2	Cash flow hedge		910.958	33.675	944.633	1.063.182	15.052	1.078.234
13.3	Hedging of a net investment in foreign subsidiaries		-	-	-	-	-	-
XIV.	**TANGIBLE ASSETS (Net)**	**(14)**	**1.942.750**	**43**	**1.942.793**	**1.838.260**	**48**	**1.838.308**
XV.	**INTANGIBLE ASSETS (Net)**	**(15)**	**338.761**	**-**	**338.761**	**288.218**	**-**	**288.218**
15.1	Goodwill		-	-	-	-	-	-
15.2	Others		338.761	-	338.761	288.218	-	288.218
XVI.	**INVESTMENT PROPERTIES (Net)**	**(16)**	**-**	**-**	**-**	**-**	**-**	**-**
XVII.	**TAX ASSETS**	**(17)**	**47.075**	**-**	**47.075**	**71.704**	**-**	**71.704**
17.1	Current tax assets		12.181	-	12.181	4.737	-	4.737
17.2	Deferred tax assets		34.894	-	34.894	66.967	-	66.967
XVIII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**(18)**	**-**	**-**	**-**	**-**	**-**	**-**
18.1	Held for sale		-	-	-	-	-	-
18.2	Discontinued operations		-	-	-	-	-	-
XIX.	**OTHER ASSETS**	**(19)**	**1.543.255**	**417.654**	**1.960.909**	**1.248.446**	**404.508**	**1.652.954**
	TOTAL ASSETS		**86.409.856**	**44.784.809**	**131.194.665**	**72.452.800**	**31.873.034**	**104.325.834**

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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

			Audited 31.12.2017			Audited 31.12.2016		
		Section 5 Part II	TL	FC	Total	TL	FC	Total
I.	**DEPOSITS**	**(1)**	**34.571.346**	**32.972.029**	**67.543.375**	**31.497.058**	**22.368.191**	**53.865.249**
1.1	Deposits from risk group of the Bank		608.766	31.874	640.640	158.972	36.446	195.418
1.2	Other		33.962.580	32.940.155	66.902.735	31.338.086	22.331.745	53.669.831
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**(2)**	**1.871.882**	**198.362**	**2.070.244**	**2.387.019**	**214.697**	**2.601.716**
III.	**FUNDS BORROWED**	**(3)**	**1.454.981**	**16.557.045**	**18.012.026**	**545.452**	**10.618.093**	**11.163.545**
IV.	**MONEY MARKET BORROWINGS**		**2.368.511**	**4.631.256**	**6.999.767**	**3.100.124**	**3.519.709**	**6.619.833**
4.1	Interbank money markets takings		-	-	-	1.500.708	-	1.500.708
4.2	Istanbul Stock Exchange money markets takings		509.609	-	509.609	97.382	-	97.382
4.3	Funds provided under repurchase agreements	(4)	1.858.902	4.631.256	6.490.158	1.502.034	3.519.709	5.021.743
V.	**SECURITIES ISSUED (Net)**	**(5)**	**4.403.345**	**5.994.680**	**10.398.025**	**1.861.266**	**4.470.311**	**6.331.577**
5.1	Bills		4.208.176	57.156	4.265.332	1.749.202	53.683	1.802.885
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		195.169	5.937.524	6.132.693	112.064	4.416.628	4.528.692
VI.	**FUNDS**		**-**	**-**	**-**	**-**	**-**	**-**
6.1	Borrower funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	**SUNDRY CREDITORS**		**2.679.544**	**3.535.867**	**6.215.411**	**2.243.338**	**4.477.548**	**6.720.886**
VIII.	**OTHER LIABILITIES**	**(6)**	**602.663**	**316.609**	**919.272**	**875.297**	**188.581**	**1.063.878**
IX.	**FACTORING PAYABLES**		**-**	**-**	**-**	**-**	**-**	**-**
X.	**LEASE PAYABLES (Net)**	**(7)**	**-**	**-**	**-**	**-**	**-**	**-**
10.1	Financial lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred financial lease expenses (-)		-	-	-	-	-	-
XI.	**DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES**	**(8)**	**296.819**	**239.255**	**536.074**	**196.239**	**230.489**	**426.728**
11.1	Fair value hedge		16.615	204.528	221.143	-	190.559	190.559
11.2	Cash flow hedge		280.204	34.727	314.931	196.239	39.930	236.169
11.3	Hedge of net investments in foreign subsidiaries		-	-	-	-	-	-
XII.	**PROVISIONS**	**(9)**	**2.092.983**	**-**	**2.092.983**	**1.794.752**	**-**	**1.794.752**
12.1	General provisions		1.397.267	-	1.397.267	1.288.412	-	1.288.412
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		379.810	-	379.810	295.428	-	295.428
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions		315.906	-	315.906	210.912	-	210.912
XIII.	**TAX LIABILITY**	**(10)**	**468.310**	**-**	**468.310**	**198.098**	**-**	**198.098**
13.1	Current tax liability		419.559	-	419.559	198.098	-	198.098
13.2	Deferred tax liability		48.751	-	48.751	-	-	-
XIV.	**PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)**	**(11)**	**-**	**-**	**-**	**-**	**-**	**-**
14.1	Held for sale		-	-	-	-	-	-
14.2	Discontinued operations		-	-	-	-	-	-
XV.	**SUBORDINATED LOANS**	**(12)**	**-**	**3.510.837**	**3.510.837**	**-**	**3.235.793**	**3.235.793**
XVI.	**SHAREHOLDERS' EQUITY**		**12.581.490**	**(153.149)**	**12.428.341**	**10.677.148**	**(373.369)**	**10.303.779**
16.1	Paid-in capital	(13)	3.350.000	-	3.350.000	3.150.000	-	3.150.000
16.2	Capital reserves		87.823	(153.149)	(65.326)	(44.173)	(373.369)	(417.542)
16.2.1	Share premium	(14)	714	-	714	714	-	714
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Securities value increase fund	(15)	(53.163)	(176.412)	(229.575)	(40.675)	(379.478)	(420.153)
16.2.4	Revaluation fund on tangible assets		-	-	-	-	-	-
16.2.5	Revaluation fund on intangible assets		-	-	-	-	-	-
16.2.6	Investment property revaluation differences		-	-	-	-	-	-
16.2.7	Bonus shares obtained from associates, subsidiaries and entities under common control (joint ventures)		-	-	-	-	-	-
16.2.8	Hedging funds (effective portion)		208.584	23.263	231.847	39.442	6.109	45.551
16.2.9	Accumulated valuation differences from assets held for sale and discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		(68.312)	-	(68.312)	(43.654)	-	(43.654)
16.3	Profit reserves		7.365.587	-	7.365.587	6.329.182	-	6.329.182
16.3.1	Legal reserves		550.059	-	550.059	487.422	-	487.422
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		6.815.528	-	6.815.528	5.841.760	-	5.841.760
16.3.4	Other profit reserves		-	-	-	-	-	-
16.4	**Profit or loss**		1.771.786	-	1.771.786	1.236.405	-	1.236.405
16.4.1	Prior years' income/ (losses)		-	-	-	-	-	-
16.4.2	Current period income/ (loss)		1.771.786	-	1.771.786	1.236.405	-	1.236.405
16.5	Minority shares		6.294	-	6.294	5.734	-	5.734
	TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**63.391.874**	**67.802.791**	**131.194.665**	**55.375.791**	**48.950.043**	**104.325.834**

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

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2017

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

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

			Audited 31.12.2017			Audited 31.12.2016		
		Section 5 Part III	TL	FC	TOTAL	TL	FC	TOTAL
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**133.957.021**	**134.110.696**	**268.067.717**	**107.898.237**	**100.663.461**	**208.561.698**
I.	**GUARANTEES**	**(1),(2),(3),(4)**	**8.839.416**	**10.475.633**	**19.315.049**	**7.171.006**	**6.013.004**	**13.184.010**
1.1.	Letters of guarantee		8.818.479	5.700.387	14.518.866	7.158.585	3.648.130	10.806.715
1.1.1.	Guarantees subject to State Tender Law		426.846	30.598	457.444	310.573	36.451	347.024
1.1.2.	Guarantees given for foreign trade operations		4.699.770	5.669.789	10.369.559	3.527.000	3.611.679	7.138.679
1.1.3.	Other letters of guarantee		3.691.863	-	3.691.863	3.321.012	-	3.321.012
1.2.	Bank loans		19.991	2.992.901	3.012.892	7.421	1.248.056	1.255.477
1.2.1.	Import letter of acceptance		19.991	2.992.901	3.012.892	7.421	1.248.056	1.255.477
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		946	1.782.345	1.783.291	5.000	1.116.818	1.121.818
1.3.1.	Documentary letters of credit		946	1.713.499	1.714.445	5.000	1.084.124	1.089.124
1.3.2.	Other letters of credit		-	68.846	68.846	-	32.694	32.694
1.4.	Prefinancing given as guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other endorsements		-	-	-	-	-	-
1.6.	Securities issue purchase guarantees		-	-	-	-	-	-
1.7.	Factoring guarantees		-	-	-	-	-	-
1.8.	Other guarantees		-	-	-	-	-	-
1.9.	Other collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**		**51.328.750**	**3.053.424**	**54.382.174**	**39.756.441**	**2.310.737**	**42.067.178**
2.1.	Irrevocable commitments	**(1)**	31.191.593	2.360.737	33.552.330	39.371.199	1.954.418	41.325.617
2.1.1.	Forward asset purchase commitments		954.489	1.835.755	2.790.244	355.574	860.966	1.216.540
2.1.2.	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-	30.000	-	30.000
2.1.4.	Loan granting commitments		9.774.194	381	9.774.575	19.364.771	353	19.365.124
2.1.5.	Securities underwriting commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Payment commitment for checks		2.754.045	-	2.754.045	2.707.388	-	2.707.388
2.1.8.	Tax and fund liabilities from export commitments		15.358	-	15.358	10.267	-	10.267
2.1.9.	Commitments for credit card expenditure limits		17.115.833	-	17.115.833	16.396.189	-	16.396.189
2.1.10.	Commitments for promotions related with credit cards and banking activities		45.880	-	45.880	19.721	-	19.721
2.1.11.	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		531.794	524.601	1.056.395	487.289	1.093.099	1.580.388
2.2.	Revocable commitments		20.137.157	692.687	20.829.844	385.242	356.319	741.561
2.2.1.	Revocable loan granting commitments		20.014.047	-	20.014.047	240.800	-	240.800
2.2.2.	Other revocable commitments		123.110	692.687	815.797	144.442	356.319	500.761
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(5), (6)**	**73.788.855**	**120.581.639**	**194.370.494**	**60.970.790**	**92.339.720**	**153.310.510**
3.1	Derivative financial instruments for hedging purposes		22.268.172	32.261.118	54.529.290	16.730.698	21.068.526	37.799.224
3.1.1	Fair value hedge		5.431.066	13.715.948	19.147.014	3.456.411	11.638.573	15.094.984
3.1.2	Cash flow hedge		16.837.106	18.545.170	35.382.276	13.274.287	9.429.953	22.704.240
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		51.520.683	88.320.521	139.841.204	44.240.092	71.271.194	115.511.286
3.2.1	Forward foreign currency buy/sell transactions		4.523.196	6.139.645	10.662.841	4.118.082	6.261.366	10.379.448
3.2.1.1	Forward foreign currency transactions-buy		1.583.405	3.700.991	5.284.396	2.683.949	2.467.023	5.150.972
3.2.1.2	Forward foreign currency transactions-sell		2.939.791	2.438.654	5.378.445	1.434.133	3.794.343	5.228.476
3.2.2	Swap transactions related to foreign currency and interest rates		43.347.695	77.340.514	120.688.209	35.619.409	58.965.219	94.584.628
3.2.2.1	Foreign currency swap-buy		20.571.584	30.250.673	50.822.257	15.510.246	23.802.355	39.312.601
3.2.2.2	Foreign currency swap-sell		22.776.111	26.809.173	49.585.284	18.569.163	20.441.802	39.010.965
3.2.2.3	Interest rate swaps-buy		-	10.140.334	10.140.334	770.000	7.360.531	8.130.531
3.2.2.4	Interest rate swaps-sell		-	10.140.334	10.140.334	770.000	7.360.531	8.130.531
3.2.3	Foreign currency, interest rate and securities options		3.626.434	4.025.073	7.651.507	4.502.601	5.087.199	9.589.800
3.2.3.1	Foreign currency options-buy		1.485.641	2.325.582	3.811.223	2.355.495	2.402.267	4.757.762
3.2.3.2	Foreign currency options-sell		2.140.793	1.699.491	3.840.284	2.147.106	2.684.932	4.832.038
3.2.3.3	Interest rate options-buy		-	-	-	-	-	-
3.2.3.4	Interest rate options-sell		-	-	-	-	-	-
3.2.3.5	Securities options-buy		-	-	-	-	-	-
3.2.3.6	Securities options-sell		-	-	-	-	-	-
3.2.4	Foreign currency futures		23.358	186.573	209.931	-	74.460	74.460
3.2.4.1	Foreign currency futures-buy		23.358	81.855	105.213	-	37.230	37.230
3.2.4.2	Foreign currency futures-sell		-	104.718	104.718	-	37.230	37.230
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-	-	-	-
3.2.6	Other		-	628.716	628.716	-	882.950	882.950
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**662.053.285**	**112.343.143**	**774.396.428**	**552.759.553**	**90.204.038**	**642.963.591**
IV.	**ITEMS HELD IN CUSTODY**		**56.509.094**	**3.646.425**	**60.155.519**	**43.231.414**	**3.728.678**	**46.960.092**
4.1.	Assets under management		3.489.199	2.550	3.491.749	4.935.464	2.218	4.937.682
4.2.	Investment securities held in custody		23.911.288	637.461	24.548.749	18.642.053	1.348.273	19.990.326
4.3.	Checks received for collection		5.005.477	482.806	5.488.283	3.452.693	463.821	3.916.514
4.4.	Commercial notes received for collection		1.228.379	220.269	1.448.648	938.785	213.474	1.152.259
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		22.874.751	2.303.339	25.178.090	15.262.419	1.700.892	16.963.311
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**369.611.511**	**64.199.119**	**433.810.630**	**319.890.014**	**47.175.906**	**367.065.920**
5.1.	Marketable securities		1.750.774	6.076.387	7.827.161	819.315	3.186.362	4.005.677
5.2.	Guarantee notes		338.396	110.531	448.927	201.294	76.487	277.781
5.3.	Commodity		58.875	-	58.875	61.743	-	61.743
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		85.341.634	36.591.013	121.932.647	78.296.557	25.750.041	104.046.598
5.6.	Other pledged items		282.121.832	21.421.188	303.543.020	240.511.105	18.163.016	258.674.121
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**235.932.680**	**44.497.599**	**280.430.279**	**189.638.125**	**39.299.454**	**228.937.579**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**796.010.306**	**246.453.839**	**1.042.464.145**	**660.657.790**	**190.867.499**	**851.525.289**

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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

III. CONSOLIDATED INCOME STATEMENT

		Section 5 Part IV	Audited 01.01 - 31.12.2017	Audited 01.01 - 31.12.2016
I.	**INTEREST INCOME**	**(1)**	**11.404.451**	**9.034.828**
1.1	Interest on loans		9.312.291	7.722.630
1.2	Interest received from reserve deposits		113.120	52.930
1.3	Interest received from banks		202.038	11.429
1.4	Interest received from money market placements		55.716	75.509
1.5	Interest received from marketable securities portfolio		1.241.311	843.682
1.5.1	Held-for-trading financial assets		5.344	4.442
1.5.2	Financial assets at fair value through profit and loss		1.898	4.450
1.5.3	Available-for-sale financial assets		617.790	483.872
1.5.4	Investments held-to-maturity		616.279	350.918
1.6	Finance lease income		312.474	217.169
1.7	Other interest income		167.501	111.479
II.	**INTEREST EXPENSE**	**(2)**	**5.588.804**	**4.356.208**
2.1	Interest on deposits		4.064.811	3.284.048
2.2	Interest on funds borrowed		771.896	423.734
2.3	Interest on money market borrowings		186.345	293.348
2.4	Interest on securities issued		544.570	341.639
2.5	Other interest expense		21.182	13.439
III.	**NET INTEREST INCOME (I - II)**		**5.815.647**	**4.678.620**
IV.	**NET FEES AND COMMISSIONS INCOME**		**1.782.588**	**1.444.877**
4.1	Fees and commissions received		2.148.614	1.767.919
4.1.1	Non-cash loans		84.629	69.602
4.1.2	Other		2.063.985	1.698.317
4.2	Fees and commissions paid		366.026	323.042
4.2.1	Non-cash loans		1.481	1.702
4.2.2	Other		364.545	321.340
V.	**DIVIDEND INCOME**	**(3)**	**1.454**	**170**
VI.	**NET TRADING INCOME**	**(4)**	**(1.142.488)**	**(661.533)**
6.1	Securities trading gains/ (losses)		9.307	17.121
6.2	Gains / (losses)Financial derivative transactions		(1.178.370)	(713.295)
6.3	Foreign exchange gains/ (losses)		26.575	34.641
VII.	**OTHER OPERATING INCOME**	**(5)**	**140.407**	**411.137**
VIII.	**NET OPERATING INCOME (III+IV+V+VI+VII)**		**6.597.608**	**5.873.271**
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	**(6)**	**1.268.992**	**1.390.423**
X.	OTHER OPERATING EXPENSES (-)	**(7)**	**3.125.770**	**2.938.079**
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		**2.202.846**	**1.544.769**
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		**-**	**-**
XIII.	GAIN / (LOSS) ON EQUITY METHOD		**38.531**	**(11.755)**
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		**-**	**-**
XV.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	**(8)**	**2.241.377**	**1.533.014**
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±)	**(9)**	**(469.026)**	**(294.714)**
16.1	Current income tax charge		(475.297)	(208.293)
16.2	Deferred tax charge / benefit		6.271	(86.421)
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	**(10)**	**1.772.351**	**1.238.300**
XVIII.	INCOME ON DISCONTINUED OPERATIONS		**-**	**-**
18.1	Income on assets held for sale		-	-
18.2	Income on sale of associates, subsidiaries and entities under common control		-	-
18.3	Income on other discontinued operations		-	-
XIX.	**LOSS FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
19.1	Loss from assets held for sale		-	-
19.2	Loss on sale of associates, subsidiaries and entities under common control		-	-
19.3	Loss from other discontinued operations		-	-
XX.	**PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)**	**(8)**	**-**	**-**
XXI.	**TAX CHARGE FOR DISCONTINUED OPERATIONS (±)**	**(9)**	**-**	**-**
21.1	Current income tax charge		-	-
21.2	Deferred tax charge / benefit		-	-
XXII.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)**	**(10)**	**-**	**-**
XXIII.	**NET PROFIT/LOSS (XVII+XXII)**	**(11)**	**1.772.351**	**1.238.300**
23.1	Group's profit/loss		1.771.786	1.236.405
23.2	Minority shares		565	1.895
	Earnings per share		0,05289	0,03691

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2017 (STATEMENT OF OTHER COMPREHENSIVE INCOME/LOSS)

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

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

		Audited 01.01 – 31.12.2017	Audited 01.01 – 31.12.2016
I.	ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	232.673	(219.938)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	239.627	(44.530)
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-	-
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS	(32.989)	2.525
IX.	DEFERRED TAX OF VALUATION DIFFERENCES	(87.095)	52.445
X.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	352.216	(209.498)
XI.	PROFIT/LOSS	1.772.351	1.238.300
11.1	Change in fair value of marketable securities (Transfer to Profit/Loss)	5.073	15.452
11.2	Reclassification and transfer of derivatives accounted for cash flow hedge purposes recycled to Income Statement	(1.327)	18.624
11.3	Transfer of hedge of net investments in foreign operations recycled to Income Statement	-	-
11.4	Other	1.768.605	1.204.224
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)	2.124.567	1.028.802

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2017

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Audited	Section 5 Part V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity Attributable to the Parent Shareholders	Minority Shares	Total Shareholders' Equity
	Prior period – 01.01.-31.12.2016																			
I.	Beginning Balance		3.000.000	-	714	-	451.979	-	5.169.582	(45.674)	-	802.739	(244.259)	-	-	81.175	-	9.216.256	189.229	9.405.485
	Changes in Period																			
II.	Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities valuation differences	(1)	-	-	-	-	-	-	-	-	-	-	(175.894)	-	-	-	-	(175.894)	-	(175.894)
IV.	Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(35.624)	-	(35.624)	-	(35.624)
4.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(35.624)	-	(35.624)	-	(35.624)
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and entities under common control		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in associates' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	(5)	150.000						(150.000)	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		150.000	-		-	-	-	(150.000)	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other (*)		-	-	-	-	-	-	54.882	2.020	-	-	-	-	-	-	-	56.902	(185.390 (*))	(128.488)
XVII.	Period net income/(loss)		-	-	-	-	-	-	-	-	1.236.405	-	-	-	-	-	-	1.236.405	1.895	1.238.300
XVIII.	Profit distribution	(3)	-	-	-	-	35.443	-	767.296	-	-	(802.739)	-	-	-	-	-	-	-	-
18.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	35.443	-	767.296	-	-	(802.739)	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing balance (I+ II+ III+..... +XVI+XVII+XVIII)		3.150.000	-	714	-	487.422	-	5.841.760	(43.654)	1.236.405	-	(420.153)	-	-	45.551	-	10.298.045	5.734	10.303.779

(*) Includes The Group's share in Finans Finansal Kiralama A.Ş has increased from 69,00% to 99,40% in the prior period.

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Audited	Section 5 Part V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity Attributable to the Parent Shareholders	Non-controlling interest	Total Shareholders' Equity
	Current period – 01.01.-31.12.2017																			
I.	**Beginning Balance**		**3.150.000**	**-**	**714**	**-**	**487.422**	**-**	**5.841.760**	**(43.654)**	**-**	**1.236.405**	**(420.153)**	**-**	**-**	**45.551**	**-**	**10.298.045**	**5.734**	**10.303.779**
	Changes in period																			
II.	**Increase/decrease related to merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable securities valuation differences**	(1)	-	-	-	-	-	-	-	-	-	-	190.578	-	-	-	-	190.578		190.578
IV.	**Hedging funds (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	186.296	-	186.296	-	186.296
4.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-				186.296	-	186.296		186.296
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Tangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Intangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus shares obtained from associates, subsidiaries and entities under common control**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Foreign exchange differences**	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Disposal of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Reclassification of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Effect of change in associates' equity**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**Capital increase**	(5)	200.000	-	-	-	-	-	(200.000)	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		200.000	-	-	-	-	-	(200.000)	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share premiums**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Inflation adjustment to paid-in capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-	-	(24.658)	-	-	-	-	-	-	-	(24.658)	(5)	(24.663)
XVII.	**Period net income/(loss)**		-	-	-	-	-	-	-	-	1.771.786	-	-	-	-	-	-	1.771.786	565	1.772.351
XVIII.	**Profit distribution**	(3)	-	-	-	-	62.637	-	1.173.768	-	-	(1.236.405)	-	-	-	-	-	-	-	-
18.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	62.637	-	1.173.768	-	-	(1.236.405)	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing balance (I+II+III+….. +XVI+XVII+XVIII)		**3.350.000**	**-**	**714**	**-**	**550.059**	**-**	**6.815.528**	**(68.312)**	**1.771.786**	**-**	**(229.575)**	**-**	**-**	**231.847**	**-**	**12.422.047**	**6.294**	**12.428.341**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VI. CONSOLIDATED CASH FLOW STATEMENT

		Section 5 Part VI	Audited 01.01 – 31.12.2017	Audited 01.01 – 31.12.2016
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities (+)**		**3.523.398**	**(2.711.324)**
1.1.1	Interest received (+)		10.513.324	8.718.139
1.1.2	Interest paid (-)		(5.301.535)	(4.325.840)
1.1.3	Dividend received (+)		1.454	170
1.1.4	Fees and commissions received (+)		2.126.282	1.755.610
1.1.5	Other income (+)		126.554	377.089
1.1.6	Collections from previously written off loans (+)		82.189	925.679
1.1.7	Payments to personnel and service suppliers (-)		(2.399.794)	(2.155.486)
1.1.8	Taxes paid (-)		(340.138)	(146.235)
1.1.9	Other (+/-)	(1)	(1.284.938)	(7.860.450)
1.2	**Changes in operating assets and liabilities**		**(5.658.659)**	**8.686.556**
1.2.1	Net (increase) decrease in financial assets held for trading (+/-)		(36.175)	32.174
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss (+/-)		(3.218)	90.535
1.2.3	Net (increase) decrease in due from banks (+/-)		(2.184.513)	(2.509.676)
1.2.4	Net (increase) decrease in loans (+/-)		(16.901.269)	(4.161.234)
1.2.5	Net (increase) decrease in other assets (+/-)	(1)	(2.744.136)	(1.297.610)
1.2.6	Net increase (decrease) in bank deposits (+/-)		443.065	465.418
1.2.7	Net increase (decrease) in other deposits (+/-)		10.402.478	6.872.366
1.2.8	Net increase (decrease) in funds borrowed (+/-)		5.310.442	6.416.136
1.2.9	Net increase (decrease) in matured payables (+/-)		-	-
1.2.10	Net increase (decrease) in other liabilities (+/-)	(1)	54.667	2.778.447
I.	**Net cash provided from / (used in) banking operations (+/-)**		**(2.135.261)**	**5.975.232**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from / (used in) investing activities (+/-)**		**(1.788.630)**	**(2.987.599)**
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries (-)		-	-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries (+)		-	-
2.3	Fixed assets purchases (-)		(163.544)	(179.507)
2.4	Fixed assets sales (+)		19.693	21.386
2.5	Cash paid for purchase of financial assets available for sale (-)		(2.498.676)	(2.337.471)
2.6	Cash obtained from sale of financial assets available for sale (+)		1.708.781	1.113.305
2.7	Cash paid for purchase of investment securities (-)		(829.915)	(1.478.607)
2.8	Cash obtained from sale of investment securities (+)		140.075	-
2.9	Other (+/-)	(1)	(165.044)	(126.705)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from / (used in) financing activities (+/-)**		**3.944.017**	**(873.748)**
3.1	Cash obtained from funds borrowed and securities issued (+)		5.123.665	2.407.322
3.2	Cash used for repayment of funds borrowed and securities issued (-)		(1.149.648)	(3.032.992)
3.3	Capital increase (+)		-	-
3.4	Dividends paid (-)		-	-
3.5	Payments for finance leases (-)		-	-
3.6	Other (+/-)		(30.000)	(248.078)
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents (+/-)**		**157.301**	**64.523**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**	**(2)**	**177.427**	**2.178.408**
VI.	**Cash and cash equivalents at the beginning of the period (+)**	**(3)**	**5.909.944**	**3.731.536**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**6.087.371**	**5.909.944**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VII. CONSOLIDTED PROFIT APPROPRIATION STATEMENT (*)

		Audited Current Year 31.12.2017(**)	Audited Prior Period 31.12.2016
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	CURRENT YEAR INCOME	2.048.965	1.483.821
1.2	TAXES AND DUTIES PAYABLE	445.524	280.411
1.2.1	CORPORATE TAX (INCOME TAX)	446.266	182.485
1.2.2	INCOME WITHHOLDING TAX	-	-
1.2.3	OTHER TAXES AND DUTIES	(742)	97.926
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**1.603.441**	**1.203.410**
1.3	PRIOR YEAR LOSSES(-)	-	-
1.4	FIRST LEGAL RESERVES(-)	-	60.171
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**1.603.441**	**1.143.239**
1.6	FIRST DIVIDEND TO SHAREHOLDERS(-)	-	157.500
1.6.1	TO OWNERS OF ORDINARY SHARES	-	157.500(***)
1.6.2	TO OWNERS OF PRIVILEGED SHARES	-	-
1.6.3	TO OWENERS OF PREFERRED SHARES	-	-
1.6.4	TO PROFIT SHARING BONDS	-	-
1.6.5	TO HOLDERS OF PROFIT AND (LOSS) SHARING CERTIFICATES	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS(-)	-	-
1.9.1	TO OWNERS OF ORDINARY SHARES	-	-
1.9.2	TO OWNERS OF PRIVILEGED SHARES	-	-
1.9.3	TO OWENERS OF PREFERRED SHARES	-	-
1.9.4	TO PROFIT SHARING BONDS	-	-
1.9.5	TO HOLDERS OF PROFIT AND (LOSS) SHARING CERTIFICATES	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUTORY RESERVES(-)	-	-
1.12	EXTRAORDINARY RESERVES	-	985.739
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS(-)	-	-
2.3.1	TO OWNERS OF ORDINARY SHARES	-	-
2.3.2	TO OWNERS OF PRIVILEGED SHARES	-	-
2.3.3	TO OWENERS OF PREFERRED SHARES	-	-
2.3.4	TO PROFIT SHARING BONDS	-	-
2.3.5	TO HOLDERS OF PROFIT AND (LOSS) SHARING CERTIFICATES	-	-
2.4	DIVIDENDS TO PERSONNEL(-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS(-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF ORDINARY SHARES	0,04786	0,03820
3.2	TO OWNERS OF ORDINARY SHARES(%)	%4,79	%3,82
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES(%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank.
(**) Decision regarding the profit distribution for the 2017 will be taken at the General Meeting.
(***) Distributed to the shareholders as bonus shares.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

The Parent Bank and its consolidated subsidiaries (Group) maintain their books of account in conformity with the Banking Law No. 5411, which was published in the Official Gazette dated 1 November 2005 and numbered 25983. The financial statements in the Consolidated Financial Statements are prepared in accordance with the provisions of the "Regulation on Procedures and Principles for the Accounting of Banks and the Preservation of Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333 and the provisions of the Banking Regulation and Supervision Agency ("BRSA" the accounting and financial reporting principles other decrees relating to, notification, explanation and Public Oversight circulars and issues not regulated by them, Accounting and Auditing Standards Board ("UPS"), which was provided by the force Turkey Accounting Standards ("IAS") and Turkey financial reporting Standards ("BRSA Accounting Publications and Financial Reporting Legislation"). The format and contents of the financial statements and their explanations and footnotes are stated in the Communiqué on Financial Statements to be disclosed to the Public and the Communiqués Regarding the Explanations to be made to the Public on the Risk Management of the Banks and Communiqués annexed to these Communiqués It was prepared.

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

Explanation for Convenience Translation to English

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

2. Classifications

None.

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

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, the requirements of TAS and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2016. The amendments of TAS and TFRS, effective as of January 1, 2017, have no material impact on the Group accounting policies, financial position and performance. The aforementioned accounting policies and valuation principles are explained in Notes II to XXVI below.

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value, which are financial assets designated at fair value through profit or loss, available for sale financial assets, subsidiaries, entities under common control, trading derivative financial assets, and hedging 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 TAS requires the use of certain critical accounting estimates by The Parent Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent matters as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

The amendments of TAS and TFRS, except TFRS 9 Financial Instruments (2017 version), which have been published as of reporting date but have not been effective yet, have no material impact on the accounting policies, financial condition and performance of the Parent Bank.

TFRS 9 'Financial Instruments' (2017 version) has been published in the Official Gazette No. 29953 dated 19 January 2017 which will be effective from periods beginning on after 1 January 2018. The general purpose of the Standard is to specify the financial reporting principles for financial assets and financial liabilities to the users of the financial statements to present appropriate and useful information to evaluate amount, timing and uncertainty of the Parent Bank's future cash flows.

Classification of Financial Assets

TFRS 9 classifies financial assets over amortized cost with considering business model and future cash flows features or by reflecting the other comprehensive income or by reflecting the fair value change in profit or loss.

Impairment

Provision for losses are provided regarding expected loan losses for financial assets which recognized at amortized cost and fair value under equity, loan commitments and financial guarantee agreements within the scope of TFRS 9. The Parent Bank evaluates whether there has been a significant increase in the credit risk of the financial instrument since its first acquisition in the financial statements at each reporting date. If there is a significant increase in the credit risk of a financial instrument since its first acquisition in the financial statements, the Parent Bank measures the provision at an amount of the expected lifetime loan losses at each reporting date. The Bank will classify the financial asset as the first stage if the credit risk of financial instrument has not increased significantly since its first acquisition in the financial statements and the Bank measures the provision at an amount of 12 months expected loan losses at each reporting date. The purpose of impairment, taking into lifetime loan losses to the financial statements as individual or group for all financial instruments that have significant increases in the credit risk of the financial instrument since its first acquisition in the financial statements with considering all supportable information including prudential.

Hedge Accounting

The purpose of hedge accounting; presentation of effects of risk management activities to manage specific risks which could affect income or loss (or other comprehensive income, which fair value changes presented in other comprehensive income subject to equity instruments investments). This approach aims to transfer the content of the hedge accounting to ensure that the purpose and effect of the hedging instruments is understood. The Bank will continue to apply the hedge accounting rules in TAS 39 as an accounting policy. Hedge accounting rules will be applied prospectively.

The effects of TFRS 9 on prior period financial statements are being evaluated and the limited effect on Bank's equity is expected to be between 1% and 2% as of December 31, 2017.

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

1. Strategy for the use of financial instruments

The major funding sources of the Parent Bank are customer deposits, bond issues and funds borrowed from international markets. The customer deposits bear fixed interest rate and have an average maturity of 1-3 months in accordance with their 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 repriced at an average period of 3-6 months. The Parent Bank diverts its placements to assets with high return, 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 for the three main 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 foreign currency available-for-sale debt securities are explained in foreign currency risk section and the applications regarding the hedging of interest rate cash flow risk resulting from deposits are explained in the Interest Rate Risk section in detail.

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

2. Foreign currency transactions

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

The Group accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed as of December 31, 2017 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 year end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Bank's foreign currency exchange rates for the related year ends are as follows:

	December 31, 2017	December 31, 2016
US Dollar	3,8104 TL	3,5318 TL
Euro	4,5478 TL	3,6939 TL

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

The net exchange gain for the period that ended at December 31, 2017 is TL 26.575 TL (December 31, 2016- 34.641 TL net exchange gains).

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 (%)	
					December 31, 2017	December 31, 2016
1.	Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım)	Full consolidation	Turkey	Securities Intermediary Services	100,00	100,00
2.	Finans Portföy Yönetimi A.Ş. (Finans Portföy)	Full consolidation	Turkey	Portfolio Management	100,00	100,00
3.	Hemenal Finansman A.Ş. (Tüketici Finansman)	Full consolidation	Turkey	Consumer Financing	100,00	100,00
4.	Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full consolidation	Turkey	Financial Leasing	99,40	99,40
5.	Finans Faktoring A.Ş. (Finans Faktoring)	Full consolidation	Turkey	Factoring Services	100,00	100,00
6.	Cigna Finans Emeklilik ve Hayat A.Ş. (Cigna Finans Emeklilik)	Equity Method	Turkey	Private Pension and Insurance	49,00	49,00

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

Differences between the accounting policies of subsidiaries and entities under common control and those of the Parent Bank are adjusted, if material. The financial statements of the subsidiaries and entities under common control are prepared as of December 31, 2017.

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 Bank's returns.

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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 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 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 subsidiaries or joint venture's accordingly recalculated value.

IV. Explanations on Forwards, Option Contracts and Derivative Instruments

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 the international markets to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Bank not only funds its long term fixed interest rate loans with TL but also hedges itself against interest rate risk.

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

Fair values of forward foreign currency purchase and sales contracts, currency and interest rate swap transactions are calculated by using internal pricing models based on market data. Unrealized gains and losses are reflected in the income statement in the current period.

Fair values of option contracts are calculated with option pricing models and the resulting unrealized gains and losses are reflected in the current period income statement.

Futures transactions are accounted for at settlement prices as of the balance sheet date and related unrealized gains and losses are presented in the current period income statement.

Fair value of credit default swaps is calculated using internal pricing models based on market data and related unrealized gains and losses are reflected in the current period income statement.

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

In cash flow hedge accounting:

The Bank applies cash flow hedge accounting using interest swap transactions to hedge its TL and FC customer deposits with short term cyclical basis and subordinated loans which have floating interest payment. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

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

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 available for sale financial assets 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 available for sale financial assets portfolio using swap transactions as hedging instruments.

Information on Eurobond and loan portfolio, recognized as fair value hedged items, is presented in Section 3, Footnote VII, 2 and 4.

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.

Finans Finansal Kiralama AŞ., the subsidiary of the 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.

Finans Finansal Kiralama AŞ., the subsidiary of the 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 Finans Finansal Kiralama AŞ., the subsidiary of the 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.

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

V. Explanations on Interest Income and Expenses

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate method. In accordance with the related regulation, the accruals of non-performing loans are cancelled and not recorded as interest income until collected.

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Assets

Financial assets comprise cash and cash equivalents and the contractual right to obtain cash or another financial asset from counterparty or to exchange financial assets with counterparty or the equity instrument transactions of the counterparty. Financial assets are classified in four categories; as "Financial Assets at Fair Value through Profit or Loss", "Investment Securities Available-For-Sale", "Investment Securities Held-To-Maturity", and "Loans And Other Receivables". The classification of the financial assets is determined at the initial inception of the related financial assets.

1. Financial assets at fair value through profit or loss

1.1. Trading securities

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

1.2. Financial assets at fair value through profit or loss

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

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

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

2. Investment securities available for sale

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

Premiums and discounts on investment securities available-for-sale are considered during the computation of the internal rate of return and are included in interest income in the income statement. Accrued interest income on investment securities available for sale is recognized in the income statement whereas gains and losses arising from the change in the fair values of such securities are reflected in equity under "Securities value increase fund". When investment securities available for sale are sold, collected or otherwise disposed of, the cumulative fair value adjustments under equity are transferred to the income statement.

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

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

In cases where fair value hedge operations cannot be effectively performed as described in TAS 39, fair value hedge accounting is ceased. After fair value accounting is ceased, fair 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.

3. Investments securities held to maturity

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

The Parent Bank does not have any financial assets previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the contradiction of classification principles.

4. Specific provisions for loans and receivables

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

As mentioned in note "Note IV- Section III on Forward, Option Contracts and Derivative Instruments", the Group 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 accounted for the hedged part of the loan portfolio at fair value, together with the swap transactions used as the hedging instrument and the related net gain or loss was included in 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. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans.

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

In the case where there is an evidence for the possibility of uncollectability of loans, the Parent Bank classifies related loans and receivables in non-performing loans and provides specific provision in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No 26333 "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". The Bank provides specific provision for the loans under follow-up regarding credit risk and other factors, in accordance with the aforementioned regulation. Additionally, the

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Parent Bank provides general provisions in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 28789 "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" and accounts such provision at the liability side of the balance sheet under general loan loss provision.

The Parent Bank also provides specific provisions for the closely monitored loans as a result of risk assessment. These provisions accounted for in liabilities under other provisions.

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

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

VIII. Explanations on Impairment of Financial Assets

It is assessed whether there is objective evidence for a financial asset or group of financial assets is impaired at each balance sheet date. Provision for impairment is provided when there is an objective evidence of impairment.

A financial asset or a group of financial assets can be impaired and impairment loss will occur only if there is objective evidence that one or more events ("loss/profit events") have occurred after the initial recording of subject asset and that subject loss event/s have an impairment effect on future, approximate cash flows which can accurately be guessed. Future events that are expected to occur are not accounted, no matter how probable.

Impairment for held-to-maturity financial assets carried at amortized cost is calculated as the difference between the present value of the expected future cash flows discounted based on the "Effective interest rate method" and its carrying value. Regarding available-for-sale financial assets, impairment loss is reclassified from equity to profit or loss and is the difference between acquisition cost (less all principal repayments and amortization) and fair value, after impairment losses previously accounted for under profit or loss have been deducted.

An explanation about the impairment of loans and receivables is given in Note VII.4 of Section III

IX. Explanations on Netting of Financial Instruments and Derecognition of Financial Assets

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 there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

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

Securities sold under repurchase agreements are recorded on the balance sheet 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 Management's future intentions, either at market prices or using discounting method with internal rate of return.

Funds lended 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 7.631.184 (December 31, 2016 - TL 5.837.963).

As of December 31, 2017 the The Parent Bank has no securities that are subject to lending transactions (December 31, 2016 – None).

Securities purchased with a commitment to resell (reverse repurchase agreements) are recorded in a separate account under "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.

XI. 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. Amortisation 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 entity'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 Bank's business classified as disposed or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Parent Bank has no discounting operations.

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

XII. Explanations on Goodwill and Other Intangible Assets

The Group has 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's have been classified as other intangible fixed assets. The useful life of software's 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.

XIII. Explanations on Tangible Assets

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

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

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

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

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

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

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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 is no purchase commitments related to the fixed assets.

XIV. Explanations on Leasing Transactions

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

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

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

The provisions for lease receivables are set as per BRSA communiqué numbered 28861 and dated December 24, 2013 "Communique on Accounting Principles and Financial Statements of Leasing, Factoring and Financing Companies". Those provisions are accounted under "Lease Receivables" at the accompanying financial statements.

XV. Explanations on Factoring Receivables

Factoring receivables are carried at amortized cost by using the effective interest rate method after unearned interest income is deducted and specific provisions for impairments are provided, if any. These provisions are accounted for under "Factoring Receivables" at the accompanying financial statements. The provisions for lease receivables are set as per BRSA communiqué numbered 28861 and dated December 24, 2013 "Communique on Accounting Principles and Financial Statements of Leasing, Factoring and Financing Companies". Those provisions are accounted for under "Factoring Receivables" at the accompanying financial statements.

XVI. Explanations on Provisions and Contingent Liabilities

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

XVII. Explanations on Obligations of the 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.

XVIII. Explanations on Taxation

1. Corporate Tax

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

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

Companies calculate their advance tax at the rate of 20% (22% for taxation periods of 2018, 2019 and 2020) on their quarterly financial profits, declare until the 14th day of the second month following that period and pay until the evening of the seventeenth day. The advance tax paid belongs that year and is offset from the corporation tax that will be calculated on the tax declaration of the companies to be given in the following year. If the advance tax paid amount remains after offsetting, this amount could be either returned as cash or offset.

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

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

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

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

2. Deferred Taxes

In accordance with Turkish Accounting Standard on Income Taxes (TAS 12), the Bank accounts for deferred taxes based on the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In calculating deferred tax, legalized tax rates effective as of balance sheet date are used as per tax legislations.

Deferred tax liabilities are recognized for all temporary differences whereas deferred tax assets calculated from deductible temporary differences are only recognized if it's highly probable that these will in the future create taxable profit. Deferred tax asset is not provided over general reserve for possible risk and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004.

Deferred tax effect in regards to transactions directly accounted for in equity, is also reflected to equity.

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

3. Transfer Pricing

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

Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

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

XIX. 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.

XX. Explanation on Share Issues

The Parent Bank's paid in capital has been increased by TL 200.000 provided from first dividend share in the current period (January 1- December 31, 2016 the Parent Bank's paid in capital has been increased by TL 150.000 provided from first dividend share as 150.000).

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

XXI. Explanations on Confirmed Bills of Exchange and Acceptances

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

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

XXII. Explanations on Government Incentives

As of December 31, 2017, the Group does not have any governmental incentives or support (As of December 31, 2016 – None).

XXIII. 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 and TL 300.000 are considered as "Commercial Enterprise". The Bank gives importance to the commercial segmentation in order to hedge risk and decrease the concentration of income. Moreover; The Bank also offers sectoral solution packages to these small and medium-size firms.

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 instalments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line. The main function of Treasury Segment is managing the liquidity of the Parent Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail, SME and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Parent Bank.

Current Period (January 1 –December 31, 2017)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Group**
Net Interest Income	1.834.670	1.937.668	2.043.309	5.815.647
Net Fees and Commissions Income	1.137.582	619.957	25.049	1.782.588
Other Operating Income and Net Trading Income	88.035	131.618	(1.221.734)	(1.002.081)
Dividend Income	-	-	1.454	1.454
Operating Income	**3.060.287**	**2.689.243**	**848.078**	**6.597.608**
Other Operating Expenses	1.625.224	1.195.497	305.049	3.125.770
Provision for Loan Losses and Other Receivables	551.721	679.289	37.982	1.268.992
Gain / Loss on joint venture accounted for at equity method	-	-	38.531	38.531
Gain/ Loss Before Taxes	**883.342**	**814.457**	**543.578**	**2.241.377**
Provision for Tax	**-**	**-**	**-**	**(469.026)**
Net Profit/Loss	**-**	**-**	**-**	**1.772.351**
Total Assets	**26.591.405**	**61.694.595**	**37.462.051**	**131.194.665**
Segment Assets	26.591.405	61.694.595	37.462.051	125.748.051
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	145.028
Undistributed Assets	-	-	-	5.301.586
Total Liabilities	**40.773.968**	**24.423.671**	**43.872.709**	**131.194.665**
Segment Liabilities	40.773.968	24.423.671	43.872.709	109.070.348
Undistributed Liabilities	-	-	-	9.695.976
Equity	-	-	-	12.428.341
Other Segment Accounts	**261.180**	**177.829**	**50.268**	**489.277**
Capital Expenditures	121.139	82.480	29.943	233.562
Depreciation and Amortization	140.041	95.349	20.325	255.715
Value Decrease/ (Increase)	-	-	-	-

Prior Period (January 1 – December 31,2016)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Group**
Net Interest Income	1.636.457	1.697.404	1.344.759	4.678.620
Net Fees and Commissions Income	950.210	448.156	46.511	1.444.877
Other Operating Income and Net Trading Income	177.031	60.179	(487.606)	(250.396)
Dividend Income	-	-	170	170
Operating Income	**2.763.698**	**2.205.739**	**903.834**	**5.873.271**
Other Operating Expenses	1.585.963	1.033.439	318.677	2.938.079
Loans and Other Provisions	656.335	893.291	(159.203)	1.390.423
Equity Method Profit / Loss from Affiliated Companies	-	-	(11.755)	(11.755)
Profit Before Taxes	**521.400**	**279.009**	**732.605**	**1.533.014**
Provision for Tax	**-**	**-**	**-**	**(294.714)**
Net Profit/Loss	**-**	**-**	**-**	**1.238.300**
Other Segment Accounts	**345.581**	**210.252**	**63.407**	**619.240**
Capital Investment	201.012	122.296	40.572	363.880
Amortization	144.569	87.956	22.835	255.360
Value Decrease/ (Increase)	-	-	-	-
Prior Period (December 31,2016)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Group**
Total Assets	**23.735.540**	**42.338.771**	**33.220.193**	**104.325.834**
Segment Assets	23.735.540	42.338.771	33.220.193	99.294.504
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	116.091
Undistributed Assets	-	-	-	4.915.239
Total Liabilities	**35.177.287**	**16.714.270**	**32.352.884**	**104.325.834**
Segment Liabilities	35.177.287	16.714.270	32.352.884	84.244.441
Undistributed Liabilities	-	-	-	9.777.614
Equity	-	-	-	10.303.779

XXIV. Profit Reserves and Profit Distribution

The Ordinary General Assembly Meeting of the Parent Bank was held on March 30, 2017. It was decided net income from 2016 operations to be distributed as follows,

Statement of Profit Distribution, 2016

Profit for the Period	**1.203.410**
A – First Legal Reserves (Turkish Commercial Code 519/A) 5%	(60.171)
B – First Profit share to be distributed (*)	(157.500)
C – Real Estate sale income fund (KVK 5-1/e)	(79.366)
B – Extraordinary Reserves	(906.373)

(*) It has been decided for TL 150.000 reserved as the First Profit shares to be distributed to be added to Shareholder's Equity.

XXV. Earnings Per Share

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

	Current Period	Prior Period
Group's Net Profit for the Period	1.771.786	1.236.405
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
Earnings per Share	**0,05289**	**0,03691**

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 new amount of shares.

Amount of issued bonus shared in 2017 is 2.000.000.000 (Amount of issued bonus shared in 2016 is 1.500.000.000).

XXVI. Explanations on 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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Consolidated Equity:

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks." As of December 31, 2017 Group's total capital has been calculated as TL 14.465.489 (December 31, 2016: TL 11.441.004), capital adequacy ratio is 14,49% (December 31, 2016: 14,27%) calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

Components of consolidated shareholders' equity items:

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

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

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

	Current Period December 31, 2017	Amounts subject to treatment before 1/1/2014(*)
TOTAL CAPITAL		
Total Capital	14.465.489	
Total risk weighted amounts	99.844.574	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	11,90%	
Tier 1 Capital Adequacy Ratio	11,84%	
Capital Adequacy Ratio	14,49%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	1,75%	
a) Capital conservation buffer requirement	1,25%	
b) Bank specific counter-cyclical buffer requirement	-	
c) Systemic significant bank buffer ratio	0,50%	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	5,90%	
Amounts below the Excess Limits as per the Deduction Principles	**-**	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	120.408	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	34.894	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.397.267	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.107.532	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation		
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation		
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4		
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4		
Upper limit for Additional Tier II Capital subjected to temporary Article 4	1.568.424	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.899.040	

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

Components of consolidated shareholders' equity items:

	Prior Period December 31, 2016 (*)	Amounts subject to treatment before 1/1/2014(*)
COMMON EQUITY		
Paid-in capital following all debts in terms of claim in liquidation of the Bank's	3.150.000	
Share issue premiums	714	
Reserves	6.329.182	
Gains recognized in equity as per TAS	372	
Profit	1.236.405	
Current Period Profit	1.236.405	
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	5.734	
Common Equity Before Deductions	**10.722.407**	
Common Equity Tier 1 Capital Before Deductions		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	464.179	
Improvement costs for operating leasing	77.709	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	155.065	258.441
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss	-	
amount exceeds the total provision		
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	**696.953**	
Total Common Equity Tier 1 Capital	**10.025.454**	

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QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Prior Period December 31, 2016	Amounts subject to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	**-**	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	103.376	
Net deferred tax asset/liability which is not deducted from Common equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	**-**	
Total Additional Tier I Capital	**-**	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**9.922.078**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	693.264	
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)	889.344	
Tier II Capital Before Deductions	**1.582.608**	
Deductions From Tier II Capital	**-**	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	**-**	
Total Tier II Capital	**1.582.608**	
Total Capital (The sum of Tier I Capital and Tier II Capital) (Before deduction)	**11.504.686**	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.669	
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	19.013	
Other items to be defined by the BRSA (-)	32.000	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

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

	Prior Period December 31, 2016	Amounts subject to treatment before 1/1/2014(*)
TOTAL CAPITAL		
Total Capital	11.441.004	
Total risk weighted amounts	80.174.960	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12,50%	
Tier 1 Capital Adequacy Ratio	12,38%	
Capital Adequacy Ratio	14,27%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	5,38%	
Capital conservation buffer requirement	0,63%	
Bank specific counter-cyclical buffer requirement	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,50%	
Amounts below the Excess Limits as per the Deduction Principles	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	91.471	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	66.967	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.288.412	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	889.344	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	693.264	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	2.520.674	

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

Information on debt instruments included in the calculation of equity:

	1	2	3	4
Issuer	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	Yes	Yes	Yes	No
Eligible at stand-alone / consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	289	178	111	990
Par value of instrument (Currency in million)	1.238	762	476	990
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	April 24, 2008	October 06, 2009	December 28, 2009	May 22, 2017
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	12 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 +4,50%	LIBOR + 4,34%	LIBOR + 4,34%	LIBOR + 3,88%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-

	1	2	3	4
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None	None	Yes
If convertible, conversion trigger (s)	-	-	-	Article number 7-2-i of "Own fund regulation"
If convertible, fully or partially	-	-	-	All of the remaining capital
If convertible, conversion rate	-	-	-	(*)
If convertible, mandatory or optional conversion	-	-	-	Discretionary
If convertible, specify instrument type convertible into	-	-	-	Equity Share
If convertible, specify issuer of instrument it converts into	-	-	-	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"	Yes	Yes	Yes	Article number 7&8 of "Own fund regulation"
Details of incompliances with article number 7 and 8 of "Own fund regulation"	8-2-ğ	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.

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

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context, part of the general loan loss provision up to 1,25% of amount subject to credit risk have been taken into consideration as contribution capital, loses from cash flow hedges have not been taken into consideration in the information on the equity items and valuation adjustments calculated according to item (i) of the first paragraph of the ninth article of the "Regulation on Equity of Banks" have been taken into consideration in the explanations on equity items.

II. Explanations on Consolidated Credit Risk

2. Consolidated Credit Risk Explanations

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

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

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

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

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

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

The Parent Bank has control limits over the positions of forward transactions, options and other similar agreements.

The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

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

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

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

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

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

Based on "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside", the Parent Bank considers Second Group loans whose principal or interest payments are not collected at the determined dates as overdue loans. Loans whose principal or interest payments are delayed for more than 90 days and loans of borrowers which the Parent Bank believes that the borrower lost his creditworthiness are considered as impaired loans.

The Parent Bank calculates general loan provision for overdue loans and specific loan provision for impaired loans based on "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside".

The receivables of the Group from its top 100 cash loan customers are 21% in the total cash loans (December 31, 2016- 18%).

The receivables of the Group from its top 200 cash loan customers are 24% in the total cash loans (December 31, 2016-21%).

The receivables of the Group from its top 100 non-cash loan customers are 47% in the total non-cash loans (December 31, 2016-42%).

The receivables of the Group from its top 200 non-cash loan customers are 56% in the total non-cash loans (December 31, 2016-51%).

The share of cash and non-cash receivables of the Group from its top 100 loan customers in total cash and non-cash loans is 26% ((December 31, 2016 19%).

The share of cash and non-cash receivables of the Group from its top 200 loan customers in total cash and non-cash loans is 30% (December 31, 2016 23%).

The general loan loss provision related with the credit risk taken by the Group is TL 1.397.267 (December 31, 2016- TL 1.288.412).

As of December 31, 2017 Provision for probable risks in the Group's loan portfolio amounted to TL 108.450 (December 31, 2016- TL 39.901).

Exposure Categories	Current Period Risk Amount(*)	Average Risk Amount(**)	Prior Period Risk Amount(*)	Average Risk Amount(**)
Conditional and unconditional receivables from central governments and Central Banks	31.074.212	27.533.656	25.551.209	23.615.856
Conditional and unconditional receivables from regional or local governments	5.346	8.990	12.947	8.169
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	73.564	57.062	51.720	37.505
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	14.663.737	13.722.546	13.299.260	9.722.024
Conditional and unconditional receivables from corporates	43.504.129	36.265.014	27.058.141	27.971.572
Conditional and unconditional receivables from retail portfolios	47.682.667	43.630.232	36.905.829	30.857.515
Conditional and unconditional receivables secured by mortgages	8.967.021	9.031.148	9.228.499	10.532.638
Past due receivables	857.390	667.622	653.487	806.427
Receivables defined in high risk category by BRSA	33.615	83.988	78.664	1.226.927
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment Funds	-	-	-	3
Investment in equities	977.304	141.307	47.411	51.153
Other receivables	3.714.448	4.492.888	4.210.520	4.417.787

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Profile of significant exposures in major regions

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

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period																		
1. Domestic	25.551.209	12.947	51.720	-	-	3.417.292	26.720.420	36.893.701	9.227.450	653.432	52.095	-	-	-	-	-	4.094.429	106.674.695
2. European Union Countries	-	-	-	-	-	9.450.475	158.916	831	878	11	26.569	-	-	-	-	-	-	9.637.680
3. OECD Countries (**)	-	-	-	-	-	72.751	6.339	5	-	-	-	-	-	-	-	-	-	79.095
4. Offshore Banking Areas	-	-	-	-	-	20.235	52.982	29	171	-	-	-	-	-	-	-	-	73.417
5. USA, Canada	-	-	-	-	-	302.534	23.095	1.649	-	-	-	-	-	-	-	47.411	-	374.689
6. Other Countries	-	-	-	-	-	35.973	96.389	9.614	-	44	-	-	-	-	-	-	-	142.020
7. Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116.091	116.091
8.Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**25.551.209**	**12.947**	**51.720**	**-**	**-**	**13.299.260**	**27.058.141**	**36.905.829**	**9.228.499**	**653.487**	**78.664**	**-**	**-**	**-**	**-**	**47.411**	**4.210.520**	**117.097.687**

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

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

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

Risk Profile regarding Sectors or Counter Parties:

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

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

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

Prior Period	Exposure Categories(*)																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TP	YP	Total
Agriculture	-	-	739	-	-	-	318.836	1.697.268	36.979	11.648	929	-	-	-	-	-	-	1.952.091	114.308	2.066.399
Farming and Raising Livestock	-	-	739	-	-	-	233.395	1.674.768	34.848	11.520	929	-	-	-	-	-	-	1.923.188	33.011	1.956.199
Forestry	-	-	-	-	-	-	-	2.498	-	52	-	-	-	-	-	-	-	2.550	-	2.550
Fishing	-	-	-	-	-	-	85.441	20.002	2.131	76	-	-	-	-	-	-	-	26.353	81.297	107.650
Industrial	-	12.849	5.694	-	-	-	9.561.897	3.685.619	704.150	64.545	19.600	-	-	-	-	-	-	5.681.124	8.373.230	14.054.354
Mining and Quarrying	-	-	-	-	-	-	181.189	82.295	23.109	949	981	-	-	-	-	-	-	157.872	130.651	288.523
Production	-	-	5.694	-	-	-	6.867.368	3.583.688	676.726	63.450	18.619	-	-	-	-	-	-	5.372.292	5.843.253	11.215.545
Electricity, Gas, Water	-	12.849	-	-	-	-	2.513.340	19.636	4.315	146	-	-	-	-	-	-	-	150.960	2.399.326	2.550.286
Construction	-	-	1.227	-	-	-	2.910.112	2.323.268	780.218	25.337	8.203	-	-	-	-	-	-	4.575.515	1.472.850	6.048.365
Services	13.502.751	36	12.165	-	-	12.751.060	13.010.256	8.942.847	2.662.484	150.880	14.966	-	-	-	-	-	-	23.072.578	27.974.867	51.047.445
Wholesale and Retail Trade	-	-	1.021	-	-	-	5.116.286	7.020.863	856.396	126.341	11.478	-	-	-	-	-	-	10.251.618	2.880.767	13.132.385
Hotel, Food and Beverage	-	-	-	-	-	-	897.069	182.857	288.631	6.036	-	-	-	-	-	-	-	322.185	1.052.408	1.374.593
Transportation and Communication	-	-	1	-	-	-	3.310.562	667.100	55.828	7.773	1.148	-	-	-	-	-	-	975.308	3.067.104	4.042.412
Financial Institutions	13.502.751	33	-	-	-	12.751.060	394.180	70.580	2.970	481	-	-	-	-	-	-	-	9.573.273	17.148.782	26.722.055
Real Estate and Rent Services	-	-	-	-	-	-	1.512.679	190.712	1.141.097	1.523	-	-	-	-	-	-	-	310.758	2.535.253	2.846.011
Self-Employment Services	-	-	9.573	-	-	-	429.499	414.500	131.800	5.202	574	-	-	-	-	-	-	601.434	389.714	991.148
Educational Services	-	-	1.509	-	-	-	165.865	117.626	60.130	1.036	-	-	-	-	-	-	-	309.499	36.667	346.166
Health and Social Services	-	3	61	-	-	-	1.184.116	278.609	125.632	2.488	1.766	-	-	-	-	-	-	728.503	864.172	1.592.675
Other	12.048.458	62	31.895	-	-	548.200	1.257.040	20.256.827	5.044.668	401.077	34.966	-	-	-	-	47.411	4.210.520	38.356.778	5.524.346	43.881.124
Total	25.551.209	12.947	51.720	-	-	13.299.260	27.058.141	36.905.829	9.228.499	653.487	78.664	-	-	-	-	47.411	4.210.520	73.638.086	43.459.601	117.097.687

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

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

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

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

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

Prior Period Risk Classification	Term To Maturity				
	Up to 1 month	1-3 month	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	1.754.475	51.417	71.066	362.871	11.271.551
Conditional and unconditional receivables from regional or local governments	159	-	40	417	12.273
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	3.362	16.480	4.272	11.439	5.578
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	4.083.290	1.284.922	428.901	711.095	1.826.318
Conditional and unconditional receivables from corporates	2.581.482	1.924.178	2.929.112	3.250.471	14.442.268
Conditional and unconditional receivables from retail portfolios	1.883.638	3.055.728	3.800.514	4.811.758	14.558.283
Conditional and unconditional receivables secured by mortgages	59.864	147.566	347.712	576.043	8.009.285
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	790	-	177	-	12.046
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-	-
Investment in equities	-	-	-	-	-
Other receivables					
General Total	**10.367.060**	**6.480.291**	**7.581.794**	**9.724.094**	**50.137.602**

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

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Exposures by risk weights:

Current Period

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

Prior Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	11.287.303	-	4.622.151	-	24.349.741	43.118.264	33.641.563	78.665	-	-	399.832
2. Exposures After Credit Risk Mitigation	9.848.525	-	1.635.837	5.663.072	23.060.071	36.345.227	29.664.989	78.665	-	-	399.832

Information by major sectors and type of counterparties:

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

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

(*) Represents the distribution of cash loans.

Prior Period	Credit Risks(*)			
Important Sectors/Other Parties	Impaired Loans	Past Due Loans	ValueAdjustments	Provisions
1. Agriculture	**74.637**	**72.212**	**2.413**	**59.429**
1.1. Farming and Raising Livestock	72.915	71.631	2.379	57.799
1.2. Forestry	188	172	14	175
1.3. Fishing	1.534	409	20	1.455
2. Industrial	**517.580**	**234.216**	**12.098**	**445.910**
2.1. Mining and Quarrying	16.403	2.615	124	11.464
2.2. Production	498.215	231.228	11.966	431.681
2.3. Electricity, Gas, Water	2.962	373	8	2.765
3. Construction	**340.940**	**117.269**	**5.487**	**291.724**
4. Services	**1.172.415**	**669.018**	**30.651**	**982.065**
4.1. Wholesale and Retail Trade	893.606	440.016	21.580	749.955
4.2. Hotel, Food and Beverage Services	92.736	86.209	3.557	72.059
4.3. Transportation and Communication	66.067	70.973	2.578	56.257
4.4. Financial Institutions	14.762	10.986	439	13.275
4.5. Real Estate and Renting Services	5.710	5.420	190	4.832
4.6. Self-Employment Services	30.440	18.971	753	24.889
4.7. Educational Services	15.666	10.846	425	14.520
4.8. Health and Social Services	53.428	25.597	1.129	46.278
5. Other	**1.979.452**	**896.888**	**81.241**	**1.615.083**
6. Total	**4.085.024**	**1.989.603**	**131.890**	**3.394.211**

(*)Represents the distribution of cash loans.

Movements in value adjustments and provisions

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

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

Prior Period	Opening Balance	Provisions for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Specific Provision	3.061.779	1.794.561	(400.979)	(1.203.598)	3.251.763
2. General Provisions	1.190.403	98.009	-	-	1.288.412

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

Exposures subject to countercyclical capital buffer:

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

Exposures subject to countercyclical capital buffer:

Current Period			
Country	**RWAs of Banking Book for Private Sector Lending**	**RWAs of Trading Book**	**Total**
Turkey	79.243.196	49.570	79.292.766
Malta	273.819	-	273.819
Other	142.612	-	142.612
Total	**79.659.627**	**49.570**	**79.709.197**
Prior Period			
Country	**RWAs of Banking Book for Private Sector Lending**	**RWAs of Trading Book**	**Total**
Turkey	61.517.840	135.455	61.653.295
Malta	149.739	-	149.739
Other	112.151	-	112.151
Total	**61.779.730**	**135.455**	**61.915.185**

Risk Management and General Disclosures regarding Risk Weighted Amounts

1) GBA – Risk Management Approach of the Group

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

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

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Key elements and scope of Risk Measurement Systems

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

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

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

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

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

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

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

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

Reports are prepared daily and indicatively include the following:

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

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

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

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

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

Market Risk Management defines the stress test approaches as below

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

Trading book consists of trading securities, trading purposes derivatives and open currency positions which are clearly defined in Market Risk Management Policy.

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

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

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

1) Overview of RWA

		Risk Weighted Assets		Minimum Capital Requirements	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
1	Credit risk (excluding counterparty credit risk) (CCR)	86.699.271	69.631.556	6.935.942	5.570.524
2	Standardised approach (SA)	86.699.271	69.631.556	6.935.942	5.570.524
3	Internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk	1.903.324	1.515.928	152.266	121.274
5	Standardised approach for counterparty credit risk (SA-CCR)	1.903.324	1.515.928	152.266	121.274
6	Internal model method (IMM)	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-	-
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-	-	-
11	Settlement risk		-	-	-
12	Securitization exposures in banking accounts		-	-	-
13	IRB ratings-based approach (RBA)		-	-	-
14	IRB Supervisory Formula Approach (SFA)		-	-	-
15	SA/simplified supervisory formula approach (SSFA)		-	-	-
16	Market risk	2.016.388	1.009.013	161.311	80.721
17	Standardised approach (SA)	2.016.388	1.009.013	161.311	80.721
18	Internal model approaches (IMM)	-	-	-	-
19	Operational risk	9.225.591	8.018.463	738.047	641.477
20	Basic Indicator Approach	9.225.591	8.018.463	738.047	641.477
21	Standardised Approach	-	-	-	-
22	Advanced Measurement Approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24	Floor adjustment	-	-	-	-
25	**TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)**	**99.844.574**	**80.174.960**	**7.987.566**	**6.413.996**

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Linkages between financial statements and risk amounts

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

Current period

			Carrying values of items in accordance with TAS				
Assets	**Carrying values in financial statements prepared as per TAS (*)**	**Carrying values of items in accordance with TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitization framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Cash and balances with the Central Bank	15.882.276	15.882.272	15.882.272	-	-	-	-
Trading Financial Assets	2.590.968	2.593.531	-	2.512.246	-	2.052.237	-
Financial Assets at Fair Value Through Profit or Loss	10.579	10.579	10.579	-	-	-	-
Banks	1.660.909	1.299.772	1.299.772	-	-	-	-
Money Market Placements	241.859	241.859	241.859	-	-	-	-
Financial Assets Available-for-Sale (net)	8.353.636	8.349.875	8.349.875	4.368.350	-	-	-
Loans and Receivables	82.102.918	82.428.356	82.397.009	-	-	-	31.347
Factoring Receivables	1.385.979	1.381.002	1.381.002	-	-	-	-
Held-to-maturity investments (net)	7.168.664	7.168.664	7.168.664	3.248.559	-	-	-
Investment in Associates (net)	-	3.766	3.766	-	-	-	-
Investment in Subsidiaries (net)	-	18.054	18.054	-	-	-	-
Investment in Joint ventures (net)	135.381	123.208	123.208	-	-	-	-
Lease Receivables	4.473.945	4.466.063	4.466.063	-	-	-	-
Derivative Financial Assets Held For Hedging	2.938.126	2.938.126	-	2.938.126	-	-	-
Property And Equipment (Net)	1.965.564	1.942.793	1.872.768	-	-	-	70.025
Intangible Assets (Net)	339.074	338.761	-	-	-	-	338.761
Investment Property (Net)	-	-	-	-	-	-	-
Tax Asset	35.326	47.075	47.075	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-	-
Other Assets	1.499.727	1.960.909	1.960.909	-	-	-	-
TOTAL ASSETS	**130.784.931**	**131.194.665**	**125.222.875**	**13.067.281**	**-**	**2.052.237**	**440.113**
Liabilities							
Deposits	70.527.115	67.543.375	-	-	-	-	70.527.115
Derivative Financial Liabilities Held for Trading	2.077.648	2.070.244	-	-	-	1.794.720	282.928
Funds Borrowed	18.234.216	18.012.026	-	-	-	-	18.234.216
Money Markets	6.912.860	6.999.767	-	6.504.096	-	-	408.764
Marketable Securities Issued	10.360.066	10.398.025	-	-	-	-	10.360.066
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	3.303.457	6.215.411	-	-	-	-	3.303.457
Other Liabilities	921.764	919.272	-	-	-	-	921.764
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	536.074	536.074	-	-	-	-	536.074
Provisions	337.095	2.092.983	-	-	-	-	337.095
Tax Liability	413.018	468.310	-	-	-	-	413.018
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	3.510.837	3.510.837	-	-	-	-	3.510.837
Shareholder's Equity	13.650.780	12.428.341	-	-	-	-	13.650.780
TOTAL LIABILITIES	**130.784.931**	**131.194.665**	**-**	**6.504.096**	**-**	**1.794.720**	**122.486.115**

(1) Amounts valuated in accordance with TAS (IFRS financial statements) reported in financial statements have not been subject to independent audit.

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Perior period

			Carrying values of items in accordance with TAS				
Assets	**Carrying values in financial statements prepared as per TAS**	**Carrying values of items in accordance with TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitization framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Cash and balances with the Central Bank	13.103.891	13.103.884	13.103.884	-	-	-	-
Trading Financial Assets	2.824.722	2.824.722	-	2.768.077	-	2.131.693	-
Financial Assets at Fair Value Through Profit or Loss	22.971	22.971	22.971	-	-	-	-
Banks	312.100	312.066	312.066	-	-	-	-
Money Market Placements	1.667.618	1.667.618	367.013	1.300.605	-	-	-
Financial Assets Available-for-Sale (net)	7.032.113	7.032.113	7.032.113	2.810.237	-	-	-
Loans and Receivables	62.349.863	62.614.093	62.569.424	-	-	-	44.669
Factoring Receivables	753.072	750.970	750.970	-	-	-	-
Held-to-maturity investments (net)	5.900.507	5.900.507	5.900.507	3.020.634	-	-	-
Investment in Associates (net)	3.766	3.766	3.766	-	-	-	-
Investment in Subsidiaries (net)	-	18.054	18.054	-	-	-	-
Investment in Joint ventures (net)	101.704	94.271	94.271	-	-	-	-
Lease Receivables	2.705.627	2.686.277	2.686.277	-	-	-	-
Derivative Financial Assets Held For Hedging	3.443.338	3.443.338	-	3.443.338	-	-	-
Property And Equipment (Net)	1.854.709	1.838.308	1.760.599	-	-	-	77.709
Intangible Assets (Net)	294.231	288.218	-	-	-	-	258.441
Investment Property (Net)	-	-	-	-	-	-	-
Tax Asset	70.988	71.704	-	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-	-
Other Assets	1.625.178	1.652.954	1.583.046	-	-	-	19.013
TOTAL ASSETS	**104.066.398**	**104.325.834**	**96.204.961**	**13.342.891**	**-**	**2.131.693**	**399.832**
Liabilities							
Deposits	53.850.110	53.865.249	-	-	-	-	53.865.249
Derivative Financial Liabilities Held for Trading	2.601.716	2.601.716	-	-	-	2.042.040	559.676
Funds Borrowed	11.163.545	11.163.545	-	-	-	-	11.163.545
Money Markets	6.619.833	6.619.833	-	-	-	-	6.619.833
Marketable Securities Issued	6.331.577	6.331.577	-	-	-	-	6.331.577
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	6.720.886	6.720.886	-	-	-	-	6.720.886
Other Liabilities	1.058.255	1.063.878	-	-	-	-	1.063.878
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	426.728	426.728	-	-	-	-	426.728
Provisions	264.711	1.794.752	-	-	-	-	1.794.752
Tax Liability	196.962	198.098	-	-	-	-	198.098
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	3.235.793	3.235.793	-	-	-	-	3.235.793
Shareholder's Equity	11.596.282	10.303.779	-	-	-	-	10.303.779
TOTAL LIABILITIES	**104.066.398**	**104.325.834**	**-**	**-**	**-**	**2.042.040**	**102.283.794**

2) Main sources of differences between regulatory exposure amounts and carrying values in financial statements

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

	Prior Period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	111.679.545	96.204.961	-	13.342.891	2.131.693
2	Liabilities carrying value amount under regulatory scope of consolidation	2.042.040	-	-	-	2.042.040
3	Total net amount under regulatory scope of consolidation	109.637.505	96.204.961	-	13.342.891	89.653
4	Off-Balance Sheet Amounts	55.251.188	8.845.488	-	-	-
5	Differences due to different netting rules (except 2)	919.360	-	-	-	919.360
6	Repo transactions	164.892	-	-	164.892	-
7	Decrease in counterparty credit risk as a result of netting	(2.332.790)	-	-	(2.332.790)	-
8	Potential credit risk amount calculated for the counterparty	827.576	-	-	827.576	-
9	Differences due to credit risk reduction	(10.756.633)	(1.357.294)	-	(9.399.339)	-
	Risk Amounts	**-**	**103.693.155**	**-**	**2.603.230**	**1.009.013**

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

a) None.

b) There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for "Available for Sale". There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.

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

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

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

• Equity shares included in trading, investment fund participation documents, securities such as bonds and bills,

• Open foreign exchange position with respect to each foreign currency

• Derivative contracts (forwards) sensitive to interest changes and concluded for trading, future transactions, simple or complex options, swaps, credit derivatives

• Reverse repo transactions

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

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

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

• Commodity risk analysis: Simplified approach (Standard method)

• Interest rate risk analysis: General Market Risk Calculation (Standard method – maturity approach) – Specific risk calculation (standard method)

• Equity share risk analysis: Position risk in equity share investments (Standard method)

• Exchange rate exposure analysis (standard method)

• Option risk analysis: Weighting method with delta factor (standard method)

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

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

Definition of independent price approval processes:

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

• Market interest rates (bond, bill and derivative prices)

• Share prices

• Exchange rates

• Gold, other precious metals and commodity prices

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

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

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

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

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Credit Risk Disclosures

A) General Information on Credit Risk

1) CRD – General Qualitative Information on Credit Risk

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

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

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

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

• Rules and Regulations of BRSA (Banking Regulation and Supervision Agency)

• Decisions of institutions auditing QNB Group

• Credit policies and procedures at bank level

• Risk Management Strategy

• Corporate, commercial and SME banking credit policies and corporate grading management documents

• Individual credit and credit cards policies

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

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

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

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

Main responsibilities of Credit Risk Management Department are as follows:

• To establish risk management policies and strategies related to risks exposed by the Group and to submit those policies and strategies for the approval of Board of Directors Risk Committee,

• To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at group level to senior management,

• To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Group,

• To make periodic stress tests and scenario analysis and establish early warning systems,

• To support decision-making processes of the Group through providing reviews and risk point of view with respect to risk management,

• To develop application and behavior score cards which are used in order to manage credit portfolio and processes in a correct and effective manner and forming main source for DR models,

• To promote risk awareness and management culture at group level.

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

Risk governance model includes three lines of defense consisting of:

• The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return.

• Risk Management Unit, at the second level, identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, provides coordination and assistance; measures risk adjusted performance across the business lines; reports to appropriate levels and proposes mitigation measures, being supported by business lines, where the risk is actually created, and specialized units.

• Internal Audit – provides the independent review function.

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

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

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

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

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

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

2) CR1 Credit quality of assets

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

In accordance with "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published at official gazette dated 1/11/2006 and numbered 26333, credit receivables identified as illiquid claims are mentioned under 1-a section as receivables at default. Off-balance sheet receivables of customers having credit at default are mentioned under 3-a section as off-balance sheet receivables at default.

	Prior Period	Gross carrying values of as per TAS			
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net value
1	Loans	3.874.148	62.014.679	3.251.763	62.637.064
2	Debt Securities	-	12.883.567	-	12.883.567
3	Off-balance sheet exposures	-	53.293.087	41.241	53.251.846
4	**Total**	**3.874.148**	**128.191.333**	**3.293.004**	**128.772.477**

3) CR2 Changes in stock of defaulted loans and debt securities:

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period	3.874.148	3.814.659
2	Loans and debt securities that have defaulted since the last reporting period	2.162.047	2.012.711
3	Returned to non-defaulted status	-	-
4	Amounts written off(*)	752.070(*)	1.198.493
5	Other changes(**)	939.956	754.729
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**4.344.169**	**3.874.148**

(*) Includes the sale of legal follow-up loans receivable amounting to TL 745.739 in the current period.
(**) Includes collections from credits in default.

4) KRB – Additional disclosures related to credit quality of assets:

(a) Receivables having more than 90 days overdue are defined as "Past due receivables". There is no difference between "past due receivables" and "loans subject to provisioning" since all loans with 90 days overdue are subject to specific provisioning.

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

(c) When specific provisions are determined, the minimum specific provision rates are used and the collaterals are not deducted from the risk bases in accordance with the "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside".

(d) In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments by the Bank it is aimed to overcome payment difficulty of the customer through making changes such as extension of term, payment free period or interest discount. Receivables in aforementioned scope are identified as "restructured receivables".

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

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

Exposures provisioned against by major regions:

Country	31.Ara.17	31.Ara.16
Domestic	81.194.085	61.738.671
European Union (EU) Countries	288.469	162.720
USA, Canada	9.352	20.304
OECD Countries	42	59
Off-Shore Banking Regions	30.608	32.872
Other Countries	112.924	60.053
Total	**81.635.480**	**62.014.679**

Exposures provisioned against by major sectors:

	December 31, 2017	December 31, 2016
1. Agricultural	**2.556.845**	**1.880.523**
1.1. Farming and raising livestock	2.413.925	1.777.853
1.2. Forestry	6.145	2.742
1.3. Fishing	136.775	99.928
2. Manufacturing	**13.655.657**	**9.919.395**
2.1. Mining and Quarrying	274.415	210.487
2.2. Production	10.584.536	7.630.448
2.3. Electricity, Gas, Water	2.796.706	2.078.460
3. Construction	**7.484.389**	**4.173.284**
4. Services	**29.843.379**	**23.030.796**
4.1 Wholesale and retail trade	14.308.792	11.150.757
4.2 Hotel, food and beverage services	2.632.932	2.135.018
4.3 Transportation and telecommunication	5.162.942	3.605.133
4.4 Financial institutions	3.964.670	3.082.435
4.5 Real estate and leasing services	350.288	381.882
4.6 Self-employment services	1.285.693	819.582
4.7 Education services	358.867	339.226
4.8 Health and social services	1.779.195	1.516.763
4. Services	**28.095.210**	**23.010.681**
6. Total	**81.635.480**	**62.014.679**

Breakdown of Exposures according to remaining maturity:

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

Prior Period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables	-	12.253.471	6.120.563	18.890.533	18.324.065	6.426.047	62.014.679

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

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

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

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

Prior Period	Lans subject to provision	Provision	Written-off from Assets
Turkey	3.850.668	3.228.305	1.198.493
EU Countries	22.692	22.674	-
USD, Canada	1	1	-
OECD Countries(*)	-	-	-
Off-shore Banking Regions	776	776	-
Other Countries	11	7	-
Total	**3.874.148**	**3.251.763**	**1.198.493**

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

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

	December 31, 2017			December 31, 2016		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	**116.510**	**74.754**	**13.427**	**62.127**	**50.516**	**4.733**
1.1. Farming and Raising Livestock	114.832	73.471	12.924	60.460	48.941	4.370
1.2. Forestry	249	103	41	133	120	139
1.3. Fishing	1.429	1.180	462	1.534	1.455	224
2. Industrial	**590.448**	**483.006**	**114.994**	**478.265**	**416.772**	**41.700**
2.1. Mining and Quarrying	6.482	5.664	1852	8.915	8.681	141
2.2. Production	583.664	477.041	111.937	466.650	405.572	41.494
2.3. Electricity, Gas, Water	302	301	1205	2.700	2.519	65
3. Construction	**276.981**	**220.869**	**66.954**	**266.896**	**248.182**	**7.974**
4. Services	**1.340.142**	**1.011.352**	**198.291**	**1.120.965**	**940.057**	**155.822**
4.1. Wholesale and Retail Trade	1.024.853	775.398	183.318	876.397	735.824	117.815
4.2. Hotel, Food and Beverage Services	132.312	95.247	4.075	92.204	71.827	18.670
4.3. Transportation and Communication	65.326	47.973	6.106	59.774	51.521	9.181
4.4. Financial Institutions	18.750	14.939	503	14.758	13.271	2.242
4.5. Real Estate and Renting Services	14.732	7.348	100	5.656	4.786	1.208
4.6. Self-Employment Services	40.161	31.450	3.284	30.351	24.835	3.616
4.7. Educational Services	20.643	18.788	53	15.664	14.519	1.053
4.8. Health and Social Services	23.365	20.209	852	26.161	23.474	2.037
5. Other	**2.020.088**	**1.750.733**	**358.404**	**1.945.895**	**1.596.236**	**988.264**
6. Total	**4.344.169**	**3.540.714**	**752.070**	**3.874.148**	**3.251.763**	**1.198.493**

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

g) Aging Analysis

Overdue days	31.12.2017	31.12.2016
0-30	79.862.234	60.127.533
31-60	1.011.133	959.588
61-90	762.113	927.558
90+	4.344.169	3.874.148
Total	**85.979.649**	**65.888.827**

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

Current Period	Standard Loans	Loans Under Close Monitoring	Non- Performing Loan
Loans subject to provision	-	-	60.081
Non- reserved Loans [(*)]	1.919.035	1.727.638	-
Total	**1.919.035**	**1.727.638**	**60.081**

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

Prior Period	Standard Loans	Loans Under Close Monitoring	Non- Performing Loan
Loans subject to provision	-	-	73.703
Non- reserved Loans [(*)]	1.302.740	1.703.818	-
Total	**1.302.740**	**1.703.818**	**73.703**

B) Credit Risk Mitigation

1) CRM - Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

Insurance policies of the collaterals should be obtained.

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

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

2) CR3 – Credit risk mitigation techniques – Overview

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

	Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	60.562.016	2.075.048	1.235.606	-	-	-	-
2	Debt securities	12.883.567	-	-	-	-	-	-
3	**Total**	**73.445.583**	**2.075.048**	**1.235.606**	**-**	**-**	**-**	**-**
4	Of which defaulted	620.142	2.243	247	-	-	-	-

C) Credit risk when standard approach is used

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

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

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

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

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

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

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

	Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	24.088.287	-	24.088.287	-	7.663.203	32%
2	Exposures to regional governments or local authorities	12.888	198	12.888	27	6.457	50%
3	Exposures to public sector entities	15.817	94.286	15.817	34.545	50.362	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	2.641.934	696.048	2.634.526	457.102	1.202.693	39%
7	Exposures to corporates	21.048.997	13.980.397	20.239.217	5.658.222	25.897.439	100%
8	Retail exposures	34.309.408	39.914.526	33.935.906	2.398.711	27.250.963	75%
9	Exposures secured by residential property	5.636.165	333.580	5.636.165	26.905	1.982.075	35%
10	Exposures secured by commercial real estate	3.474.396	183.132	3.474.396	91.030	1.782.713	50%
11	Past-due loans	653.487	-	653.240	-	482.861	74%
12	Higher-risk categories by the Agency Board	65.651	49.021	65.651	12.589	117.360	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	4.210.520	-	4.210.520	-	3.148.019	75%
17	Investments in equities	47.411	-	47.411	-	47.411	100%
18	**Total**	**96.204.961**	**55.251.188**	**95.014.024**	**8.679.131**	**69.631.556**	**67%**

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3) CR5 – Standardised approach – exposures by asset classes and risk weights:

Current Period

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

Prior Period

	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount (*)
1	Exposures to central governments or central banks	8.761.880	-	-	-	15.326.407	-	-	-	-	24.088.287
2	Exposures to regional governments or local authorities	-	-	-	-	12.915	-	-	-	-	12.915
3	Exposures to public sector entities	-	-	-	-	-	-	50.363	-	-	50.363
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1.156.427	-	1.927.586	-	7.614	-	-	3.091.627
7	Exposures to corporates	-	-	-	-	-	-	25.897.437	-	-	25.897.437
8	Retail exposures	-	-	-	-	-	36.334.617	-	-	-	36.334.617
9	Exposures secured by residential property	-	-	-	5.663.071	-	-	-	-	-	5.663.071
10	Exposures secured by commercial real estate	-	-	-	-	3.565.426	-	-	-	-	3.565.426
11	Past-due loans	-	-	-	-	340.758	-	312.482	-	-	653.240
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	78.241	-	78.241
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	47.411	-	-	47.411
17	Other Assetd	1.062.501	-	-	-	-	-	3.148.019	-	-	4.210.520
18	**Total**	**9.824.381**	**-**	**1.156.427**	**5.663.071**	**21.173.092**	**36.334.617**	**29.463.326**	**78.241**	**-**	**103.693.155**

1. Disclosures regarding counterparty credit risk

A) Qualitative disclosures regarding DCCR – CCR table:

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

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

CCR is managed in the framework of Derivative Products Application Instruction in line with credit risk policies since it is a type of risk reviewed in scope of credit risk although there are several differences.

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

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

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

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

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

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

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

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

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QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	3.878.625	827.576	-	1,4	1.607.363	900.037
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	995.867	349.591
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	**Total**	-	-	-	-	-	**1.249.628**

C) CCR2 – Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
		Current Period	Prior Period	Current Period	Prior Period
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (3*multiplier included)	-	-	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3	Total portfolio value with simplified approach CVA capital adequacy	2.153.506	1.607.363	320.142	266.300
4	**Total amount of CVA capital adequacy**	2.153.506	1.607.363	320.142	266.300

D) CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights

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

	Prior Period									
	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1	Exposures from central governments or central banks	24.144	-	-	-	-	-	-	-	24.144
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	479.410	1.886.979	-	-	-	-	2.366.389
7	Exposures from corporates	-	-	-	-	-	201.663	-	-	201.663
8	Retail receivables	-	-	-	-	10.610	-	-	-	10.610
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	424	-	424
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	**Total**	**24.144**	**-**	**479.410**	**1.886.979**	**10.610**	**201.663**	**424**	**-**	**2.603.230**

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

Related table is not presented due to standard method is used for calculation of capital adequacy (December 31, 2016 – 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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

F) CCR5 – Composition of collateral for CCR exposure:

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

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
Prior Peiod	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**	**Collaterals Taken**	**Collaterals Given**
Cash-Local Currency	-	-	-	-	1.495.044	-
Cash - Foreign Currency	-	3.272.578	-	377.338	3.525.142	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**3.272.578**	**-**	**377.338**	**5.020.186**	**-**

G) CCR6 –Credit Derivatives

Related table is not presented due to the Parent Bank has no risk arrived from derivative credit received or sold.

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

Related table is not presented due to standard method is used for calculation of capital adequacy.

I) CCR8 – Exposures to central counterparties

Related table is not presented due to the Parent Bank has no risk against to counterparty.

5. Securitization exposures:

The Parent Bank has no securitization transactions.

6. Disclosures regarding Market Risk

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

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

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

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

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

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

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

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

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

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

B) MR1- Market risk under standardised approach

		RWA (**)	
		Current Period	**Prior Period**
	Outright products (*)	1.993.488	998.313
1	*Interest rate risk (general and specific)*	*1.549.350*	*639.388*
2	*Equity risk (general and specific)*	*61.037*	*13.050*
3	*Foreign exchange risk*	*380.688*	*343.113*
4	*Commodity risk*	*2.413*	*2.762*
	Options	22.900	10.700
5	*Simplified approach*	-	-
6	*Delta-plus method*	*22.900*	*10.700*
7	*Scenario approach*	-	-
8	*Securitization*	-	-
9	**Total**	**2.016.388**	**1.009.013**

(*) Outright products refer to position in products that are not optional.
(**) The market Risk represents the capital requirement multiplied by 12,5 times Risk Weighted Amount

7. Explanations on Operational Risk

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2016, 2015 and 2014 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 28337 dated June 28, 2012, namely "The Calculation of the Amount Subject to Operational Risk. As of December 31, 2016, the total amount subject to operational risk is TL 9.225.592 (December 31, 2016 – TL 8.018.463).

Current Period	**2 Prior Period Value**	**1 Prior Period Value**	**Current Period value**	**Total / Total number of years for which gross income is positive**	**Rate (%)**	**Total**
Gross Income	4.508.589	4.775.557	5.476.801	4.920.316	15	738.047
Amount subject to operational risk (Total*12,5)						**9.225.592**
Prior Period	**2 Prior Period Value**	**1 Prior Period Value**	**Current Period value**	**Total / Total number of years for which gross income is positive**	**Rate (%)**	**Total**
Gross Income	3.995.793	4.322.420	4.511.319	4.276.511	15	641.477
Amount subject to operational risk (Total*12,5)						8.018.463

(*)In accordance with the amendments made in the Communique on the Amendment to the Communiqué on the Uniform Chart of Accounts and Prospectus published in the Official Gazette dated 22 December 2016 and numbered 29926, "Support Service Corresponding Activity Expenses" has been removed from gross income calculation.

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

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.

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

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

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

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

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	3,8104 TL
Euro purchase rate in the balance sheet date	3,5478 TL

Date	US Dollar	Euro
December 29, 2017	3,8104	4,5478
December 28, 2017	3,8197	4,5385
December 27, 2017	3,8029	4,5116
December 26, 2017	3,8087	4,5205
December 25, 2017	3,8113	4,5171

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

The arithmetical average of the Bank's US Dollar and Euro purchase rates for December 2017 are TL 3,8477 and TL 4,5525; 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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank(1)	3.509.095	8.430.826	1.811.411	13.751.332
Due From Banks	106.293	1.163.743	12.079	1.282.115
Financial Assets at Fair Value through Profit/Loss (2)	83.999	116.207	416	200.622
Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	406.228	2.823.374	-	3.229.602
Loans and Receivables (3)	13.131.631	9.258.352	145.930	22.535.913
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Securities Held-to-Maturity	19.755	3.408.710	-	3.428.465
Derivative Financial Assets Hedging Purposes	6.315	56.092	-	62.407
Tangible Assets	-	-	43	43
Intangible Assets	-	-	-	-
Other Assets (4)	2.432.192	1.194.928	41.529	3.668.649
Total Assets	**19.695.508**	**26.452.232**	**2.011.408**	**48.159.148**
Liabilities				
Bank Deposits	306.935	1.810.122	102.836	2.219.893
Foreign Currency Deposits(5)	7.718.062	21.347.608	1.686.466	30.752.136
Money Market Borrowings	220.431	4.410.825	-	4.631.256
Funds Provided from Other Financial Institutions	6.340.185	11.451.087	2.276.610	20.067.882
Securities Issued(6)	177.687	5.816.993	-	5.994.680
Sundry Creditors(7)	2.700.551	826.561	8.755	3.535.867
Derivative Fin. Liabilities Hedging Purposes	59.202	180.053	-	239.255
Other Liabilities (8)	164.747	325.487	1.907	492.141
Total Liabilities	**17.687.800**	**46.168.736**	**4.076.574**	**67.933.110**
Net Balance Sheet Position	**2.007.708**	**(19.716.504)**	**(2.065.166)**	**(19.773.962)**
Net Off-Balance Sheet Position	**(2.135.608)**	**17.986.103**	**2.111.085**	**17.961.580**
Financial Derivative Assets	8.736.674	57.616.453	2.286.793	68.639.920
Financial Derivative Liabilities	10.872.282	39.630.350	175.708	50.678.340
Non-Cash Loans (9)	4.724.545	5.457.980	293.108	10.475.633
Prior Period				
Total Assets	12.375.388	21.706.843	1.644.362	35.726.593
Total Liabilities	12.760.272	33.755.504	2.765.686	49.281.462
Net Balance Sheet Position	**(384.884)**	**(12.048.661)**	**(1.121.324)**	**(13.554.869)**
Net Off-Balance Sheet Position	**448.647**	**10.341.525**	**1.119.800**	**11.909.972**
Financial Derivative Assets	5.950.109	43.105.601	1.221.052	50.276.762
Financial Derivative Liabilities	5.501.462	32.764.076	101.252	38.366.790
Non-Cash Loans (8)	2.203.845	3.737.029	72.130	6.013.004

(1)Cash and Balances with TR Central; Other FC include TL 1.799.886 (December 31 2016 – TL 1.554.973) precious metal deposit account.
(2) Does not include TL 53.594 (December 31 2016 – TL 38.111) of currency income accruals arising from derivative transactions.
(3) Includes TL 3.382.889 (December 31 2016 – TL 3.859.134) FC indexed loans.
(4) Does not include FC prepaid expenses amounting to TL 9.192 (December 31 2016 – TL 3.375) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006. Does not include repealed financial leasing receivables amounting to TL 6.737 (December 31 2016 – TL 5.416) accounted as FC in balance sheet. Includes FC indexed factoring receivables amounting to TL 60.973 (December 31 2016 – TL 41.327) accounted as TL in balance sheet.
(5)Other foreign currency includes TL 1.198.394 (December 31 2016 – TL 778.428)of precious metal deposit account.
(6) Debt instrument at an amount of USD 380 million included in securities issued has been mentioned in fair value hedge accounting.
(7) Sundry Creditors do not include the Foreign Exchange Loan Factoring payables amounting to TL 526.
(8) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 22.830 (December 31 2016 – TL 41.958)
(9) Does not have an effect on Net Off-balance Sheet Position.

As of December 31, 2017, the net foreign currency exposure of the Group is TL 19.773.962 short position (December 31, 2016 – TL – 13.554.869 short) resulting from on balance sheet short position amounting to TL 17.961.580 (December 31, 2016 – TL 11.909.972 short) and long off balance sheet position amounting to TL 1.812.382 (December 31, 2016 – TL 1.644.897 long). As it is stated Five, net foreign currency short position of the Group is TL 364.430 following the fair value hedge accounting since the debt instrument at amount of USD 380 million (TL 1.447.952) included in issued securities recorded as foreign currency in balance sheet in order to ensure currency hedging of immovable which has recorded in TL in accordance with TAS but whose fair value forms in foreign currency in market.

6. Sensitivity to Foreign Exchange Risk

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

	% change in the Foreign currency	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity (*)	Effect on Gain/ Loss (After Tax)	Net Effect on Shareholders Equity (*)
		Current Period	Current Period	Prior Period	Prior Period
USD	10% gain	(8.248)	(22.596)	(147)	(29.204)
	10% loss	8.248	22.596	147	29.204
EURO	10% gain	(10.467)	(10.232)	6.402	5.101
	10% loss	10.467	10.232	(6.402)	(5.101)

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

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 monthly 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 approximately in six months. Therefore the 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.

(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 PERIOD ENDED DECEMBER 31, 2017
(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)

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

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

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

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

(Based on repricing dates)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non Interest Bearing (*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	7.541.319	-	-	-	-	5.562.565	13.103.884
Due from Banks	75.512	-	12.182	-	-	224.372	312.066
Financial Assets at Fair Value Through Profit/ Loss (**)	762	8.370	2.147	12.766	31.198	6.235.788	6.291.031
Money Market Placements	1.667.618	-	-	-	-	-	1.667.618
Inv. Securities Available for Sale	1.540.616	403.471	1.609.451	847.566	2.787.198	(156.189)	7.032.113
Loans and Receivables	13.430.498	7.611.418	21.746.543	15.606.797	2.672.475	1.546.362	62.614.093
Inv. Securities Held to Maturity	178.373	1.181.254	1.626.021	1.301.498	1.516.723	96.638	5.900.507
Other Assets	542.660	287.328	860.692	1.528.411	86.391	4.099.040	7.404.522
Total Assets	**24.977.358**	**9.491.841**	**25.857.036**	**19.297.038**	**7.093.985**	**17.608.576**	**104.325.834**
Liabilities							
Bank Deposits	1.193.196	572.973	67.578	-	-	139.238	1.972.985
Other Deposits	30.613.782	9.899.613	1.874.874	47.910	-	9.456.085	51.892.264
Money Market Borrowings	4.842.526	914.488	824.886	-	27.944	9.989	6.619.833
Sundry Creditors	4.389.726	-	-	-	-	2.331.160	6.720.886
Securities Issued	708.413	2.280.490	1.551.647	1.750.319	-	40.708	6.331.577
Funds Borrowed	2.295.865	2.471.838	9.333.096	231.261	351	66.927	14.399.338
Other Liabilities (***)	4.200	-	-	-	-	16.384.751	16.388.951
Total Liabilities	**44.047.708**	**16.139.402**	**13.652.081**	**2.029.490**	**28.295**	**28.428.858**	**104.325.834**
On Balance Sheet Long Position	-	-	12.204.955	17.267.548	7.065.690	-	36.538.193
On Balance Sheet Short Position	(19.070.350)	(6.647.561)	-	-	-	(10.820.282)	(36.538.193)
Off-Balance Sheet Long Position	5.138.216	11.756.849		-	-	-	16.895.065
Off-Balance Sheet Short Position	-	-	(1.342.029)	(9.351.397)	(2.379.841)	-	(13.073.267)
Total Position	**(13.932.134)**	**5.109.288**	**10.862.926**	**7.916.151**	**4.685.849**	**(10.820.282)**	**3.821.798**

(*) Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(**) Financial Assets at Fair Value Through Profit/Loss include TL 3.443.338 derivative financial assets used for hedging purposes.
(***) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 426.728.

Average interest rates applied to monetary financial instruments

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

Average interest rates applied to monetary financial instruments

Prior Period	EUR %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	0,49	-	3,81
Due from Banks	0,10	0,56	-	11,61
Financial Assets at Fair Value Through Profit/Loss	1,94	4,57	-	9,14
Money Market Placements	-	-	-	-
Investment Securities Available for Sale	3,68	4,96	-	9,93
Loans and Receivables	4,23	4,57	3,65	14,42
Investment Securities Held to Maturity	2,96	5,22	-	10,01
Liabilities				
Bank Deposits	0,87	0,97	-	11,33
Other Deposits	1,62	2,13	0,25	11,78
Money Market Borrowings	0,45	0,92	-	8,03
Sundry Creditors	1,82	1,76	-	6,12
Securities Issued	-	5,89	-	11,90
Funds Borrowed	1,88	3,28	-	9,83

Interest rate risk on banking book

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

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

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

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

Available for sale securities included in banking book are daily monitored by being added to the scope of market risk. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal, interest rate and VaR limits.

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

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

Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity- Losses/ Equity
1. TL	(+) 500	(1.248.899)	(8,83)%
	(-) 400	1.189.846	8,42%
2. EURO	(+) 200	27.327	0,19%
	(-) 200	2.203	0,02%
3. USD	(+) 200	(59.494)	(0,42)%
	(-) 200	60.209	0,43%
Total (of negative shocks)		**1.252.258**	**8,86%**
Total (of positive shocks)		**(1.281.066)**	**(9,06)%**

V. Explanations on consolidated equity securities position risk

	Comparison		
Equity Securities (shares)	**Carrying Value**	**Fair Value**	**Market Value**
1. Equity Investments Group A	**35.691**	**-**	**35.691**
Quoted Securities	35.691	-	35.691
2. Equity Investments Group B	**-**	**-**	**-**
Quoted Securities	-	-	-
3. Equity Investments Group C	**-**	**-**	**-**
Quoted Securities	-	-	-
4. Equity Investments Group Other	**145.028**	**151.971**	**-**

(*) Associates and subsidiaries not quoted to BIST and not classified as investment in shares by CMB.
(**) Refers to entity under common control accounted at fair value but not traded at the quoted markets.

		Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio	**Gains/Losses in Current Period**	**Total**	**Amount under Core Capital**	**Total**	**Amount under Core Capital**	**Amount under Supplementary Capital**
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	32	-	-	1.168	-	526
3. Other Shares	-	-	-	-	-	-
4. Total	**32**	**-**	**-**	**1.168**	**-**	**526**

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

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

QNB Finansbank has no liquidity management center and each entity, which is under control of the Bank, performs its liquidity management separately from the Bank by an authority responsible for liquidity management. Each partnership subject to consolidation manages its own liquidity position separately from the Parent Bank. Fund amounts, which shall be used by associates from the Bank, are determined in the framework of limits.

It is essential for the Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Bank is carried out in line with limits and internal warning systems within the framework of ALC decisions. Funding and placement strategies are developed through evaluating the liquidity of the Parent Bank. When developing this strategy, it is aimed to provide funding from long-term and stable sources as much as possible.

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

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

Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which 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 Bank regulates funding activities to be used in liquidity crisis periods specific to the Bank or in liquidity crisis at financial markets. EMP defines components triggering the crisis and early warning indicators which help to evaluate and manage the liquidity crisis and determine primary funding structure. EMP also defines actions of the Bank against cash and guarantee need. In addition to aforementioned issues, EMP determines duties and responsibilities in performing actions in a liquidity crisis included in risk management and emergency funding plan.

Liquidity Coverage Ratio

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

(*) Simple arithmetic average calculated for the last three months of values calculated by taking the monthly simple 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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period - December 31, 2016	Unweighted Amounts(*)		Weighted Amounts(*)	
	TL+FC	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS			**14.875.566**	**8.053.418**
1. High Quality Liquid Assets	16.972.402	10.150.254	14.875.566	8.053.418
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	37.412.200	14.015.648	3.329.691	1.401.565
3. Stable deposits	8.230.580	-	411.529	-
4. Less stable deposits	29.181.620	14.015.648	2.918.162	1.401.565
5. Unsecured Funding other than Retail and Small Business Customers Deposits	19.664.517	9.303.850	13.592.611	6.651.680
6. Operational deposits	727.093	20.408	181.773	5.101
7. Non-Operational Deposits	13.106.651	6.148.072	8.119.375	3.511.209
8. Other Unsecured Funding	5.830.773	3.135.370	5.291.463	3.135.370
9. Secured funding			744.683	744.683
10. Other Cash Outflows	15.940.082	9.989.012	15.940.082	9.989.012
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	15.940.082	9.989.012	15.940.082	9.989.012
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	234.867	-	11.743	-
15. Other irrevocable or conditionally revocable commitments	52.321.533	6.971.923	3.546.844	604.728
16. TOTAL CASH OUTFLOWS			**37.165.654**	**19.391.668**
CASH INFLOWS				
17. Secured Lending Transactions	542.994	-	-	-
18. Unsecured Lending Transactions	7.108.042	1.993.846	4.562.997	1.753.188
19. Other contractual cash inflows	14.464.815	9.621.128	14.464.815	9.621.128
20. TOTAL CASH INFLOWS	**22.115.851**	**11.614.974**	**19.027.812**	**11.374.316**
				Capped Amount
21. TOTAL HIGH QUALITY LIQUID ASSETS			**14.875.566**	**8.053.418**
22. TOTAL NET CASH OUTFLOWS			**18.137.842**	**8.017.352**
23. LIQUIDITY COVERAGE RATIO (%)			**82,01%**	**100,45%**

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

Minimum, maximum and average liquidity coverage ratios calculated in accordance with the “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette no. 28948, dated March 21, 2014 for the last three months of 2017 are explained in the table below.

	Maximum	Date	Minimum	Date	Average
TL+FC	101,34	30.11.2017	93,23	31.10.2017	98,37
FC	147,79	30.11.2017	99,64	31.10.2017	129,08

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 51% of total liabilities of the Group (December 31, 2016 – 52%) 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 1-month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

Secured funding consists 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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Years	5 Years and Over	Un-Allocated(1)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	4.712.819	11.169.453	-	-	-	-	-	15.882.272
Due from Banks	358.157	929.338	4.089	8.188	-	-	-	1.299.772
Financial Assets at Fair Value Through Profit/Loss (2)	-	463.583	586.727	1.512.116	2.812.247	167.563	-	5.542.236
Money Market Placements	-	241.859	-	-	-	-	-	241.859
Investment Securities Available for Sale	75.803	556.881	16.783	116.597	3.618.743	3.965.068	-	8.349.875
Loans and Receivables	-	15.318.696	5.936.334	23.197.851	28.575.632	8.596.388	803.455	82.428.356
Investment Securities Held to Maturity	-	-	203.577	373.895	2.597.488	3.993.704	-	7.168.664
Other Assets	6.469	1.917.334	547.112	1.371.163	3.148.868	264.676	3.026.009	10.281.631
Total Assets	**5.153.248**	**30.597.144**	**7.294.622**	**26.579.810**	**40.752.978**	**16.987.399**	**3.829.464**	**131.194.665**
Liabilities								
Bank Deposits	129.280	1.859.365	205.790	150.444	-	-	-	2.344.879
Other Deposits	12.595.256	40.856.124	8.674.721	3.047.235	25.160	-	-	65.198.496
Funds Borrowed	-	2.013.711	1.950.755	8.191.925	6.005.329	3.361.143	-	21.522.863
Money Market Borrowings	-	4.141.894	1.196.050	596.893	360.132	704.798	-	6.999.767
Securities Issued	-	1.742.060	2.105.800	995.169	5.503.635	51.361	-	10.398.025
Sundry Creditors	-	3.847.122	272.092	785.383	1.087.321	223.493	-	6.215.411
Other Liabilities (3)	-	1.067.661	663.613	507.388	1.358.088	482.929	14.435.545	18.515.224
Total Liabilities	**12.724.536**	**55.527.937**	**15.068.821**	**14.274.437**	**14.339.665**	**4.823.724**	**14.435.545**	**131.194.665**
Liquidity Gap	**(7.571.288)**	**(24.930.793)**	**(7.774.199)**	**12.305.373**	**26.413.313**	**12.163.675**	**(10.606.081)**	**-**
Net Off- Balance Sheet Position (4)	**-**	**161.134**	**391.205**	**725.540**	**1.472.151**	**21.732**	**-**	**2.771.762**
Receivables from financial derivative instruments	-	16.758.947	15.518.239	23.277.189	35.950.287	7.066.466	-	98.571.128
Liabilities from derivative financial instruments	-	16.597.813	15.127.034	22.551.649	34.478.136	7.044.734	-	95.799.366
Non Cash Loans (5)	**-**	**1.100.786**	**2.055.672**	**7.089.728**	**2.717.879**	**404.698**	**5.946.286**	**19.315.049**
Prior period								
Total Assets	4.282.532	25.559.000	7.212.351	21.682.278	28.376.477	14.014.655	3.198.541	104.325.834
Total Liabilities	9.358.456	43.573.109	13.557.037	13.023.285	11.245.832	1.454.395	12.113.720	104.325.834
Liquidity Gap	**(5.075.924)**	**(18.014.109)**	**(6.344.686)**	**8.658.993**	**17.130.645**	**12.560.260**	**(8.915.179)**	**-**
Net Off- Balance Sheet Position (4)	**-**	**253.881**	**210.516**	**550.128**	**1.802.009**	**17.668**	**-**	**2.834.202**
Receivables from financial derivative instruments	-	18.109.425	15.593.274	16.090.618	22.669.507	5.609.532	-	78.072.356
Liabilities from derivative financial instruments	-	17.855.544	15.382.758	15.540.490	20.867.498	5.591.864	-	75.238.154
Non Cash Loans (5)	**-**	**682.951**	**1.432.264**	**4.438.990**	**2.025.020**	**325.772**	**4.279.013**	**13.184.010**

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, , office stationery, and prepaid expenses are classified under this column.
Unallocated other liabilities include shareholders’ equity amounting to TL 12.428.341, unallocated provisions and deferred tax liability amounting to TL 2.092.983.
(2) Financial Assets at Fair Value Through Profit/Loss include derivative financial assets held for hedging purposes amounting to TL 2.938.126.
(3) Other Liabilities also include derivative financial liabilities held for hedging purposes amounting to TL 536.074.
(4) 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.
(5) Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

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

Financial Liabilities according to the remaining maturities on the contract

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

Current Period	Undated	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and longer	Total	Balance Sheet Value
Bank Deposits	129.280	1.860.557	206.425	152.348	-	-	2.348.610	2.344.879
Other Deposits	12.603.695	41.087.398	8.789.139	3.209.164	27.296	72	65.716.764	65.198.496
Payables to Money Market	-	4.152.024	1.210.377	609.277	405.281	797.801	7.174.760	6.999.767
Funds from other Financial Institutions	-	2.658.242	1.989.090	8.776.520	7.047.890	3.515.968	23.987.710	21.522.863
Securities Issued	-	1.828.626	2.128.560	1.321.125	6.140.493	52.462	11.471.266	10.443.986
Noncash Loans(*)	5.946.286	1.100.786	2.055.672	7.089.728	2.717.879	404.698	19.315.049	19.315.049

Prior Period	Undated	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Longer	Total	Balance Sheet Value
Bank Deposits	136.155	1.196.628	576.800	68.381	-	-	1.977.964	1.972.985
Other Deposits	9.222.301	30.842.183	9.983.773	2.032.934	54.711	-	52.135.902	51.892.264
Payables to Money Market	-	4.850.497	588.722	523.273	164.215	577.095	6.703.802	6.619.833
Funds from other Financial Institutions	-	1.590.349	973.076	8.092.202	4.739.947	501.544	15.897.118	14.399.338
Securities Issued	-	843.524	947.567	3.802.838	1.257.304	64.963	6.916.196	6.331.577
Noncash Loans(*)	4.279.013	682.951	1.432.264	4.438.990	2.025.020	325.772	13.184.010	13.184.010

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Longer	Total
Forward contracts buying (**)	3.376.800	1.322.808	1.232.445	750.734	-	6.682.787
Forward contracts selling (**)	(3.384.147)	(1.347.699)	(1.250.000)	(788.451)	-	(6.770.298)
Swap contracts buying (*)	12.921.261	13.367.291	20.802.988	35.200.346	7.066.467	89.358.353
Swap contracts selling(*)	(12.680.890)	(12.958.447)	(19.788.181)	(33.386.894)	(7.044.734)	(85.859.146)
Futures buying	-	24.500	80.713	-	-	105.213
Futures selling	-	(24.005)	(80.713)	-	-	(104.718)
Options buying	2.083.102	809.460	918.661	-	-	3.811.223
Options selling	(2.116.124)	(808.827)	(915.333)	-	-	(3.840.284)
Other	-	-	304.832	323.884	-	628.716
Total	**200.001**	**385.083**	**1.305.411**	**2.099.619**	**21.733**	**4.011.847**

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward contracts buying (**)	2.862.930	1.227.332	1.655.467	13.864	-	5.759.593
Forward contracts selling (**)	(2.925.301)	(1.224.732)	(1.672.828)	(13.534)	-	(5.836.395)
Swap contracts buying (*)	18.956.449	7.354.138	13.551.450	22.637.165	5.609.531	68.108.733
Swap contracts selling(*)	(18.594.212)	(7.115.960)	(12.702.683)	(20.270.400)	(5.591.864)	(64.275.119)
Futures buying	-	1.685	34.727	818	-	37.230
Futures selling	-	(1.685)	(34.727)	(818)	-	(37.230)
Options buying	1.238.728	2.669.901	849.133	-	-	4.757.762
Options selling	(1.257.010)	(2.727.322)	(847.706)	-	-	(4.832.038)
Other	-	-	282.544	600.406	-	882.950
Total	**281.584**	**183.357**	**1.115.377**	**2.967.501**	**17.667**	**4.565.486**

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

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 6,17% (December 31, 2016: 6,28%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

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

		Current Period(**)	Prior Period(**)
1	Total asset amount in consolidated financial statements prepared in accordance with TFRS (*)	129.733.795	101.293.023
2	Difference between total asset amount in consolidated financial statements prepared in accordance with TFRS and total asset amount in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	522.744	381.390
3	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives	1.275.678	773.474
4	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of investment securities or financial transaction that are commodity collateralized	-	-
5	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of off balance transactions	57.572.480	55.119.905
6	Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	(394.938)	(335.210)
7	**Total Risk Amount**	**188.709.759**	**157.232.582**

(*) 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

c) Leverage ratio public disclosure template:

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

	Book Value	
	Current Period (*)	Prior Period (*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	124.173.604	96.302.179
(Assets deducted from capital stock)	394.938	335.210
Total risk amount related to Assets on Balance sheet	**123.778.666**	**95.966.969**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	6.082.935	5.372.234
Potential credit risk amount of derivative financial instruments and credit derivatives	1.275.678	773.474
Total risk amount related to derivative financial instruments and credit derivatives	**7.358.613**	**6.145.708**
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	-	-
Risk amount sourcing from transactions mediated	-	-
Total risk amount related to financial transactions having security or commodity collateral	**-**	**-**
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	74.916.230	55.725.410
(Adjustment amount sourcing from multiplying to credit conversion rates)	(17.343.750)	605.505
Total risk amount related to off-balance sheet transactions	**57.572.480**	**55.119.905**
Capital and Total Risk		
Core Capital	11.665.362	9.867.630
Amount of total risk	188.709.759	157.232.582
Financial leverage ratio		
Financial leverage ratio	6,18%	6,28%

(*) Amounts stated in table shows the last quarter averages of 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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

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

Fair value of held to maturity investments are determined through market rates. If market rates cannot be spotted, market rates of securities with similar interest, maturity and other characteristics are used instead.

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

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

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

	Carrying value		Fair value	
	Current Period	Prior Period	Current period	Prior period
Financial Assets	**105.335.591**	**80.963.644**	**104.256.561**	**80.660.652**
Banks	1.299.772	312.066	1.299.772	312.066
Receivables from Money Market	241.859	1.667.618	241.859	1.667.618
Loans and Receivables	82.428.356	62.614.093	81.265.434	62.366.527
Factoring Receivables	1.381.002	750.970	1.381.002	750.970
Leasing Receivables	4.466.063	2.686.277	4.559.412	2.775.831
Available for Sale Financial Assets	8.349.875	7.032.113	8.349.875	7.032.113
Securities Held to Maturity	7.168.664	5.900.507	7.159.207	5.755.527
Financial Liabilities	**112.679.441**	**87.936.883**	**112.626.047**	**88.043.806**
Bank Deposits	2.344.879	1.972.985	2.344.927	1.973.153
Other Deposits	65.198.496	51.892.264	65.219.301	51.916.704
Funds from Other Financial Institutions	21.522.863	14.399.338	21.399.361	14.322.946
Payables to Money Market	6.999.767	6.619.833	6.999.767	6.619.833
Securities Issued	10.398.025	6.331.577	10.447.280	6.490.284
Other Debts	6.215.411	6.720.886	6.215.411	6.720.886

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

Classification for fair value is generated as followed below:

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

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

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

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

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

(*) Does not include equity shares in available for sale amounting to TL 4.912 which are recorded with historical value on financial statements.
(**)Presented in "Financial Assets at Fair Value Through Profit/Loss"..

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	**6.999.467**	**6.319.452**	**-**	**13.318.919**
Financial Assets at Fair Value through Profit/Loss	50.811	-	-	50.811
Assets on Trading Derivatives	3.781	2.770.130	-	2.773.911
Investment Securities Available for Sale	6.944.875	83.013	-	7.027.888
Loans and Receivables(*)	-	22.971	-	22.971
Hedging derivative financial assets	-	3.443.338	-	3.443.338
Financial Liabilities	**502**	**3.027.942**	**-**	**3.028.444**
Liabilities on Trading Derivatives	502	2.601.214	-	2.601.716
Derivative Financial Liabilities for Hedging Purposes	-	426.728	-	426.728

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

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

	Current Period	Prior Period
Opening Balance	**-**	**47.354**
Change in total gain/loss	-	(11.166)
Accounted in income statement	-	*(11.166)*
Accounted in other comprehensive income	-	-
Purchases	-	-
Disposals	-	-
Matured Loans(*)	-	(13.217)
Sales from Level 3	-	(22.971)
Closing Balance	**-**	**-**

(*) Includes loans and receivables that are presented in "Financial Assets at Fair Value through Profit/Loss" and are closed before maturity.

(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 PERIOD ENDED DECEMBER 31, 2017
(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	644.333	340.629	685.252	376.428
T.R. Central Bank	1.461.242	13.408.983	1.244.513	10.795.316
Others	25.365	1.720	96	2.279
Total	**2.130.940**	**13.751.332**	**1.929.861**	**11.174.023**

b) Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	849.656	2.239.530	1.244.513	1.697.337
Restricted Time Deposits	611.586	11.169.453	-	9.097.979
Total	**1.461.242**	**13.408.983**	**1.244.513**	**10.795.316**

As of December 31, 2017, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 4% to 10,5% depending on the maturity of deposits (December 31, 2016 – 4% to 10,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 24% depending on the maturity of deposits and other liabilities (December 31, 2016 – 4,5% and 24,5%). 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	28.219	1.113	23.752	2.831
Subject to repurchase agreement	14.275	-	7.092	-
Total	**42.494**	**1.113**	**30.844**	**2.831**

b) Positive differences on trading derivative instruments

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	43.711	-	106.629	-
Swap Transactions	2.213.686	184.096	2.464.878	144.158
Futures	-	105	-	388
Options	884	61.660	3.393	54.465
Other	-	-	-	-
Total	**2.258.281**	**245.861**	**2.574.900**	**199.011**

3. a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	16.806	845.929	26.882	1.726
Foreign	851	436.186	21.268	262.190
Foreign Head Offices and Branches	-	-	-	-
Total	**17.657**	**1.282.115**	**48.150**	**263.916**

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	69.846	141.028	17.419	12.409
USA and Canada	240.799	69.269	103.924	36.234
OECD Countries (*)	2.133	1.586	-	-
Off-shore Banking Regions	-	20.948	-	-
Other	2.916	1.984	-	-
Total	**315.694**	**234.815**	**121.343**	**48.643**

(*) Include OECD countries other than the EU countries, USA and Canada.
(**) Includes blocked placements amounting to TL 121.343 at foreign banks (December 31, 2016 - TL 48.643) for the funds borrowed from foreign banks.

4. Information on receivables from reverse repurchase agreements

	Current Period		Prior Period	
	TP	YP	TP	YP
Domestic Transactions	-	-	1.300.605	-
T.R. Central Bank	-	-	-	-
Banks	-	-	1.300.605	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	-	-	-	-
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Total	-	-	1.300.605	-

5. Information on Investment securities available for sale:

a) Information on investment securities available for-sale that are subject to repurchase agreements and given as Collateral /blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	543.802	556.466	252.663	807.931
Subject to repurchase agreements	1.824.242	2.544.108	1.017.007	2.003.627
Total	**2.368.044**	**3.100.574**	**1.269.670**	**2.811.558**

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QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

b) Investment securities available for sale:

	Current Period	Prior Period
Debt securities	**8.372.633**	**7.250.707**
Quoted on a stock exchange (*)	8.372.633	7.250.707
Unquoted on a stock exchange	-	-
Share certificates	**76.072**	**49.457**
Quoted on a stock exchange (**)	27	27
Unquoted on a stock exchange	76.045	49.430
Impairment provision (-)	**(98.830)**	**(268.051)**
Total	**8.349.875**	**7.032.113**

(*) The Eurobond Portfolio amounting to TL 4.072.503 (December 31, 2016 - TL 1.773.444) which is accounted for as investment securities available for sale was hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as Investment Securities Available for Sale in order to be in line with balance sheet presentation.

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

6. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	**613**	**-**	**1.179**	**-**
Corporate Shareholders	613	-	1.179	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	82.484	-	80.379	-
Total	**83.097**	**-**	**81.558**	**-**

(*) Includes advances given to the bank personnel.

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

Cash Loans(*)	Performing Loans and Other Receivables: Loans and Other Receivables	Performing: Loans and Receivables with Revised Contract Terms – Extension of Repayment Plan	Performing: Loans and Receivables with Revised Contract Terms – Other	Loans and Other Receivables Under Close Monitoring: Loans and Other Receivables	Under Close Monitoring: Loans and Receivables with Revised Contract Terms – Extension of Repayment Plan	Under Close Monitoring: Loans and Receivables with Revised Contract Terms – Other
Non-specialized Loans	**77.345.243**	**1.919.035**	**-**	**4.290.237**	**1.727.638**	**-**
Discount Notes	798.677	-	-	31.331	-	-
Export Loans	1.699.768	-	-	71.063	-	-
Import Loans	30.845	-	-	-	-	-
Loans Given to Financial Sector	813.104	-	-	-	-	-
Retail Loans	17.086.108	504.876	-	800.440	201.047	-
Credit Cards	10.357.782	359.967	-	471.498	186.449	-
Other	46.558.959	1.054.192	-	2.915.905	1.340.142	-
Specialized Loans	**-**	**-**	**-**	**-**	**-**	**-**
Other Receivables	**-**	**-**	**-**	**-**	**-**	**-**
Total	**77.345.243**	**1.919.035**	**-**	**4.290.237**	**1.727.638**	**-**

(*) The loans and other receivables amounting to 10.579 (December 31, 2016 – TL 22.971) are classified under "Loans at Fair Value Through Profit/Loss" in the financial statements.

No. of Extensions	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
1 or 2 times	1.864.202	1.683.898
3, 4 or 5 times	49.948	37.656
Over 5 times	4.885	6.084
Total	**1.919.035**	**1.727.638**

Extension Periods	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
0 - 6 months	647.471	417.756
6 -12 months	119.568	78.570
1 - 2 years	212.230	390.084
2 - 5 years	517.341	481.940
5 years and over	422.425	359.288
Total	**1.919.035**	**1.727.638**

c) Loans according to their maturity structure

Cash Loans (*)	Performing Loans and Other Receivables: Loans and Other Receivables	Performing: Loans and Receivables with Revised Contract Terms	Loans and Other Receivables Under Close Monitoring: Loans and Other Receivables	Under Close Monitoring: Loans and Receivables with Revised Contract Terms
Short-term Loans	**27.587.272**	**359.967**	**472.265**	**186.449**
Non-specialized Loans	27.587.272	359.967	472.265	186.449
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	**49.757.971**	**1.559.068**	**3.817.972**	**1.541.189**
Non-specialized Loans	49.757.971	1.559.068	3.817.972	1.541.189
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**77.345.243**	**1.919.035**	**4.290.237**	**1.727.638**

(*)The loans and other receivables amounting to TL 10.579 (December 31, 2016 – TL 22.971) are classified under "Loans at Fair Value Through Profit/Loss" in the 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 PERIOD ENDED DECEMBER 31, 2017
(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	Interest and Income Accruals
Consumer Loans-TL	**601.418**	**15.664.128**	**16.265.546**	**192.449**
Housing Loans	4.029	5.532.339	5.536.368	75.307
Automobile Loans	462	19.568	20.030	182
Personal Need Loans	596.927	10.112.221	10.709.148	116.960
Other	-	-	-	-
Consumer Loans-FC Indexed	**-**	**4.944**	**4.944**	**8.791**
Housing Loans	-	4.765	4.765	8.420
Automobile Loans	-	-	-	-
Personal Need Loans	-	179	179	371
Other	-	-	-	-
Consumer Loans-FC	**-**	**-**	**-**	**-**
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Individual Credit Cards-TL	**8.186.002**	**359.721**	**8.545.723**	**83.591**
Installment	3.087.489	359.721	3.447.210	33.739
Non- Installment	5.098.513	-	5.098.513	49.852
Individual Credit Cards-FC	**4.103**	**-**	**4.103**	**23**
Installment	-	-	-	-
Non- Installment	4.103	-	4.103	23
Personnel Loans-TL	**5.253**	**43.482**	**48.735**	**344**
Housing Loans	-	581	581	4
Automobile Loans	-	-	-	-
Personal Need Loans	5.253	42.901	48.154	340
Other	-	-	-	-
Personnel Loans-FC Indexed	**-**	**-**	**-**	**-**
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Personnel Loans-FC	**-**	**-**	**-**	**-**
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Personnel Credit Cards-TL	**30.425**	**-**	**30.425**	**42**
Installment	12.550	-	12.550	-
Non-Installment	17.875	-	17.875	42
Personnel Credit Cards-FC	**102**	**-**	**102**	**-**
Installment	-	-	-	-
Non-Installment	102	-	102	-
Overdraft Accounts-TL (Real Persons)	**1.289.283**	**-**	**1.289.283**	**76.456**
Overdraft Accounts-FC (Real Persons)	**-**	**-**	**-**	**-**
Total	**10.116.586**	**16.072.275**	**26.188.861**	**361.696**

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

	Short Term	Medium and Long Term	Total	Interest and Income Accruals
Commercial Loans with Installment Facility – TL	**580.961**	**16.512.550**	**17.093.511**	**446.001**
Real Estate Loans	-	426.754	426.754	37.259
Automobile Loans	2.357	134.550	136.907	2.722
Personal Need Loans	578.604	15.951.246	16.529.850	406.020
Other	-	-	-	-
Commercial Loans with Installment Facility - FC Indexed	**10.867**	**1.101.603**	**1.112.470**	**385.057**
Real Estate Loans	-	20.131	20.131	9.444
Automobile Loans	-	61.100	61.100	19.537
Personal Need Loans	10.867	1.020.372	1.031.239	356.076
Other	-	-	-	-
Commercial Loans with Installment Facility - FC	-	-	-	-
Real Estate Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Corporate Credit Cards –TL	**2.131.204**	**12.659**	**2.143.863**	**20.907**
Installment	753.834	12.659	766.493	7.475
Non-Installment	1.377.370	-	1.377.370	13.432
Corporate Credit Cards –FC	**498**	**-**	**498**	**3**
Installment	-	-	-	-
Non-Installment	498	-	498	3
Overdraft Accounts-TL (Legal Entities)	**936.786**	**-**	**936.786**	**8.901**
Overdraft Accounts-FC (Legal Entities)	**-**	**-**	**-**	**-**
Total	**3.660.316**	**17.626.812**	**21.287.128**	**860.869**

f) Loans according to borrowers(*):

	Current Period	Prior Period
Public	50.160	248.823
Private	81.585.320	61.765.856
Total	**81.635.480**	**62.014.679**

(*)The loans and other receivables amounting to TL 10.579 (December 31, 2016 – TL 22.971) are classified under "Loans at Fair Value Through Profit/Loss" in the financial statements.

g) Domestic and foreign loans (*)

	Current Period	Prior Period
Domestic Loans	81.118.403	61.732.410
Foreign Loans	517.077	282.269
Total	**81.635.480**	**62.014.679**

(*)The loans and other receivables amounting to TL 10.579 (December 31, 2016 – TL 22.971) are classified under "Loans at Fair Value Through Profit/Loss" in the 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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

h) Loans granted to subsidiaries and associates

There are no loans granted to subsidiaries and associates (December 31, 2016 - None).

i) Specific provisions for loans:

	Current Period	Prior Period
Specific Provisions		
Loans and Receivables with Limited Collectability	113.746	73.566
Loans and Receivables with Doubtful Collectability	348.575	328.113
Uncollectible Loans and Receivables	3.078.393	2.850.084
Total	**3.540.714**	**3.251.763**

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
(Gross Amounts Before the Specific Provisions)	-	2.481	57.600
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	2. 481	57.600
Prior Period			
(Gross Amounts Before the Specific Provisions)	735	2.756	70.212
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	735	2.756	70.212

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period End Balance	**367.839**	**656.224**	**2.850.085**
Additions (+)	1.998.572	81.375	82.100
Transfers from Other Categories of Non-Performing Loans (+)	-	1.501.354	1.380.494
Transfers to Other Categories of Non-Performing Loans (-)	1.502.145	1.379.703	-
Collections (-)	295.419	160.795	483.742
Write-offs (-) (*)	**221**	**1.305**	**750.544**
Corporate and Commercial Loans	-	27	399.738
Consumer Loans	96	552	153.547
Credit Cards	125	726	197.259
Others	-	-	-
Current Period End Balance	**568.626**	**697.150**	**3.078.393**
Specific Provision (-)	113.746	348.575	3.078.393
Net Balances on Balance Sheet	**454.880**	**348.575**	**-**

(*) Credit receivables at an amount of TL 745.739, whose legal proceedings have begun, have been sold at a cash value of TL 69.303.

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

None (December 31, 2016 – None).

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivable
Current Period (Net)	**454.880**	**348.575**	**-**
Loans to Real Persons and Legal Entities (Gross)	568.626	697.150	3.051.189
Specific provision (-)	113.746	348.575	3.051.189
Loans to Real Persons and Legal Entities (Net)	454.880	348.575	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	27.204
Specific provision (-)	-	-	27.204
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	**294.273**	**328.112**	**-**
Loans to Real Persons and Legal Entities (Gross)	367.839	656.224	2.823.267
Specific provision (-)	73.566	328.112	2.823.267
Loans to Real Persons and Legal Entities (Net)	294.273	328.112	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	26.817
Specific provision (-)	-	-	26.817
Other Loans and Receivables (Net)	-	-	-

k) Liquidation policies for uncollectible loans and other receivables

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

l) Explanations on write-off policy:

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

(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 PERIOD ENDED DECEMBER 31, 2017
(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	1.250.546	95.688	669.607	52.491
Medium and Long Term	34.768	-	28.872	-
Total	**1.285.314**	**95.688**	**698.479**	**52.491**

As of December 31, 2017 and December 31, 2016, changes in provision for non-performing factoring receivables are as follows:

	Current Period	Prior Period
Prior Period End Balance	20.825	26.084
Provided Provision / (reversal), Net	14.186	11.854
Collections	(421)	(1.126)
Written off	-	(15.987)
Current Period End Balance	**34.590**	**20.825**

8. Information on investment securities held-to-maturity

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	268.590	178.708	566.844	125.217
Subject to repurchase agreements	-	3.248.559	490.816	2.319.421
Total	**268.590**	**3.427.267**	**1.057.660**	**2.444.638**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	3.740.199	2.398.866	3.383.952	1.471.352
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	427.977	-	444.242
Total	**3.740.199**	**2.826.843**	**3.383.952**	**1.915.594**

c) Information on investment securities held-to-maturity

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Securities	**3.740.199**	**3.428.465**	**3.383.952**	**2.516.555**
Publicly-traded	3.740.199	3.428.465	3.383.952	2.516.555
Non-publicly traded	-	-	-	-
Provision for losses (-)	**-**	**-**	**-**	**-**
Total	**3.740.199**	**3.428.465**	**3.383.952**	**2.516.555**

d) Movement of held-to-maturity investments

	Current Period	Prior Period
Value at the beginning of the period	**5.900.507**	**3.873.914**
Exchange differences on monetary assets	225.503	369.033
Acquisitions during the year	829.915	1.478.607
Disposals through sales and redemptions	(140.075)	-
Provision for losses (-)	-	-
Valuation Effect	352.814	178.953
The sum of end of the period	**7.168.664**	**5.900.507**

9. Investments in associates (Net):

9.1. Investments in associates

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

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
80.677	46.880	47.651	927	-	6.983	14.517	-

(*) Current period information is presented as of September 30, 2017 and prior period profit and loss amounts are based on financial statements prepared as of September 30, 2016.

9.2. Movements of investments in associates

	Current Period	Prior Period
Balance at the Beginning of Period	**3.766**	**3.766**
Movements During the Period	**-**	**-**
Acquisitions	-	-
Bonus Shares Received	-	-
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	**3.766**	**3.766**
Capital Commitments	-	-
Share Percentage at the end of the 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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9.3. Sectoral distribution and the related carrying amounts on associates

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	3.766	3.766
Total	**3.766**	**3.766**

9.4. Quoted Associates

None (December 31, 2016 - None).

9.5. Valuation of investments in associates

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

9.6. Investments in associates sold during the current period

None (December 31, 2016 - None).

10. Investments in subsidiaries (Net)

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

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

	Title	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. Ve Tic. A.Ş.	Istanbul/Turkey	99,91%	99,99%
2.	EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Istanbul/Turkey	51,00%	51,00%

(*)	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.	43.156	19.774	17.288	-	-	(2.808)	1.437	-
2.	11.853	2.805	5.795	396	-	(702)	(1.602)	-

(*) Current year information is based on December 31, 2017 financials. Prior year profit and loss amounts are based on December 31, 2016 financials.

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.	Finans Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	99,80	100,00
2.	Finans Finansal Kiralama A.Ş.	İstanbul/Turkey	99,40	99,40
3.	Hemenal Finansman A.Ş.	İstanbul/Turkey	100,00	100,00
4.	Finans Portföy Yönetimi A.Ş.	İstanbul/Turkey	0,03	100,00
5.	Finans Faktoring A.Ş.	İstanbul/Turkey	99,99	100,00

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (*)
1.	382.352	149.861	3.735	22.755	2.698	25.680	36.216	127.321
2.	4.707.681	761.140	5.789	314.305	-	93.966	58.677	445.809
3.	106.792	51.198	3.606	6.656	-	(4.367)	(2.771)	-
4.	13.240	11.928	123	1.578	-	(451)	328	-
5.	1.412.957	81.525	1.470	145.027	-	15.991	7.080	93.350

(*) 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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

b.2) Movement of investments in subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	**647.572**	**324.954**
Movements during the Period	**77.349**	**322.618**
Purchases(*)	30.000	248.078
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Difference	47.349	74.540
Impairment Provision	-	-
Balance at the End of the Period	**724.921**	**647.572**
Capital Commitments	**-**	**-**
Share Percentage at the end of the Period (%)	**-**	**-**

(*)The Parent Bank has purchased 3.434.632 shares having a total nominal value of TL 34.346 and owned by NBG and equivalent to 29,87% of paid capital of Finans Finansal Kiralama A.Ş. which is one of its subsidiaries with a consideration amounting to TL 128.112 from NBG and 2.068.528 shares having a nominal value of TL 20.685 and owned by Finans Yatırım Menkul Değerler A.Ş. and equivalent to 17,99% of its paid capital with a consideration amounting to TL 77.570 from Finans Yatırım A.Ş in prior period. Shares, which are equivalent to 0,20% and 0,02% of paid capital of Finans Yatırım Menkul Değerler A.Ş. and Finans Portföy Yönetimi A.Ş. respectively, have been purchased in order of TL 44 and TL 1. Finans Faktoring A.Ş. and Hemenal Finansman A.Ş. has increased its capital at an amount of TL 20.000 through paid capital increase. In the prior period, the Bank has made a capital commitment amounting to TL 30.000 to its subsidiary, Hemenal Finansman A.Ş. and the related capital commitment was paid by the Parent Bank in the current.

b.3) Sectoral distribution of the consolidated subsidiaries

	Current Period	Prior Period
Factoring Companies	93.350	64.358
Leasing Companies	445.809	478.959
Finance Companies	58.395	28.395
Other Subsidiaries	127.367	75.860
Total	**724.921**	**647.572**

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	445.809	478.959
Quoted on International Stock Exchanges	-	-
Total	**445.809**	**478.959**

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

None.

11. Investments in entities under common control

	Title	Address (City/ Country)	Bank's Share-If different, Voting Rights (%)	Bank' Risk Group Share (%)
1.	Cigna Finans Emeklilik ve Hayat A.Ş.	İstanbul/Türkiye	49,00%	49,00%
2.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	İstanbul/Türkiye	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.	1.219.521	126.096	15.600	-	-	54.867	31.097	-
2.	62.432	38.987	33.075	-	-	11.866	7.942	-

12. Information on finance lease receivables (Net)

12.1. Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.643.065	1.345.976	1.156.685	958.274
Between 1-4 years	2.876.082	2.460.214	1.717.199	1.474.143
Over 4 years	716.284	659.873	276.577	253.860
Total	**5.235.431**	**4.466.063**	**3.150.461**	**2.686.277**

Finance lease receivables include non-performing finance lease receivables amounting to TL 164.253 (December 31, 2016 – TL 179.285) and specific provisions amounting to TL 97.562 (December 31, 2016 – TL 114.477).

Changes in non-performing finance lease receivables provision as of December 31, 2017 and December 31, 2016, are as follows:

	Current Period	Prior Period
End of prior period	114.477	74.316
Provided provision / (reversal), Net	41.596	41.733
Collections	(8.359)	(1.572)
Written off	(53.306)	-
Provision at the end of the period	**94.408**	**114.477**

12.2. Information on net investment on leases

	Current Period	Prior Period
Gross Finance Lease Investments	5.235.431	3.150.461
Unearned Finance Income (-)	769.368	464.184
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	**4.466.063**	**2.686.277**

12.3. Information of finance lease contracts of the Parent Bank

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

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

13. Information on hedging purpose derivatives:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (*)	1.964.761	28.732	2.346.595	18.509
Cash Flow Hedge (**)	910.958	33.675	1.063.182	15.052
Net Investment Hedge	-	-	-	-
Total	**2.875.719**	**62.407**	**3.409.777**	**33.561**

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2017, there is a corresponding amount of TL 13,675 (December 31, 2016-TL 14,060) of the securities, TL 808 (December 31, 2016 - TL 1.298) of the marketable securities and TL 14.249 represents lease receivables(December 31, 2016-None), TL 1.964.761 (December 31, 2016 - TL 2.346.595) represents the fair value of derivative financial instruments used in fair value hedge transactions. In the current period, there is no fair value of derivative financial instruments used in fair value hedging of issued securities (December 31, 2016-3.151 TL).

(**)Represents the fair value of derivative financial instruments for cash flow hedges of deposits and floating rate borrowings.

14. Explanations on tangible assets:

	Land and Buildings	Fixed Assets under Finance Lease	Vehicles	Other Fixed Assets	Total
Prior Period End					
Cost	1.435.265	264.186	1.954	1.299.766	3.001.171
Accumulated Depreciation(-)	37.771	243.105	1.466	880.521	1.162.863
Net Book Value	**1.397.494**	**21.081**	**488**	**419.245**	**1.838.308**
Current Period End					
Cost at the Beginning of the Period	**1.435.265**	**264.186**	**1.954**	**1.299.766**	**3.001.171**
Additions (*)	-	-	-	-	-
Transfer(-)	109.163	7.330	-	130.522	247.015
Disposals (-)	848	6	17	18.853	19.724
Impairment (-)/ (increase)	288	-	-	-	288
Current Period Cost	**1.543.868**	**271.510**	**1.937**	**1.411.435**	**3.228.750**
Accumulated Depreciation at the Beginning of the Period	**37.771**	**243.105**	**1.466**	**880.521**	**1.162.863**
Disposals (-)	-	-	-	-	-
Transfer (-)	12	-	18	18.082	18.112
Depreciation amount	11.639	2.006	310	127.251	141.206
Accumulated Depreciation at the End of the Period (-)	**49.398**	**245.111**	**1.758**	**989.690**	**1.285.957**
Net Book Value at the End of the Period	**1.494.470**	**26.399**	**179**	**421.745**	**1.942.793**

(*)As mentioned in Section 5 footnote 5.1.d, the fair value currency difference income of 102.128 TL (the amortized) that belongs to the real estate, subject to the accounting of protection from the fair value risk by the Bank, is shown in the "Entries" line of the Financial Fixed Assets movement table.

a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements:
Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements:

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss of TL 288 has been booked. (December 31, 2016 - TL 29 impairment loss has been booked).

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially effecting the overall financial statements, and the reason and conditions for this:

None (December 31, 2016- None).

c) Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets:

None (December 31, 2016- None).

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

15. Explanations on Intangible Assets:

	Rights	Goodwill	Total
Prior Period End			
Cost	843.053	-	843.053
Accumulated Amortization(-)	554.835	-	554.835
Net Book Value	**288.218**	**-**	**288.218**
Current Period End			
Cost at the Beginning of the Period	**843.053**	**-**	**843.053**
Costs related to acquisition of subsidiary	-	-	-
Additions	165.057	-	165.057
Disposals (-)	5	-	5
Value Decrease (-)/ (increase)	-	-	-
Current Period Cost	**1.008.105**	**-**	**1.008.105**
Acc. Amort. At the Beginning of the Period	**554.835**	**-**	**554.835**
Accrued amortization related to acquisition of subsidiary	-	-	-
Disposals(-)	-	-	-
Amortization charge	114.509	-	114.509
Current Period Accumulated Amortization(-)	**669.344**	**-**	**669.344**
Net Book Value-End of the Period	**338.761**	**-**	**338.761**

a) Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements:

None (December 31, 2016- None).

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:

None (December 31, 2016- None).

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition:

None (December 31, 2016- None).

d) The book value of intangible fixed assets that are pledged or restricted for use:

None (December 31, 2016- None).

e) Amount of purchase commitments for intangible fixed assets:

None (December 31, 2016- None).

f) Information on revalued intangible assets according to their types:

None (31 December 2016- None).

g) Amount of total research and development expenses recorded in income statement within the period if any:

Amount of total research expenses recorded in income statement within the period is TL 7.559 (December 31, 2016 – TL 2.947).

h) Positive or negative consolidation goodwill on entity basis:

None (December 31, 2016 – None).

i) Information on book value of goodwill at the beginning of the period, end of the period and movement for the period:

The details have been disclosed at explanations and disclosures related to asset section, at disclosure 15.

16. Explanations on investment property:

None (December 31, 2016- None).

17. Information on tax asset:

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

Deferred tax asset is TL 34.894 (December 31, 2016 – TL 66.967) and deferred tax liability is TL 48.751 (December 31, 2016- None) after deferred tax asset and liability balances in the financial statements of the consolidated subsidiaries are netted off separately.

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 18.606 are netted under equity. (December 31, 2016 – TL 105.701 deferred tax assets).

	Accumulated Temporary Differences		Deferred Tax Assets/ (Liabilities)	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Provision for Employee Rights	379.809	295.428	83.877	59.086
Difference Between the Book Value of Financial Assets and Tax Base	510.067	503.152	123.869	100.630
Other	871.924	798.914	189.024	159.783
Deferred Tax Assets			**396.770**	**319.499**
Difference Between the Book Value Financial Fixed Assets and Tax Base				
Difference Between the Book Value of Financial Assets and Tax Base	(234.253)	(205.128)	(847.422)	(41.026)
Other	(997.362)	(799.389)	(229.135)	(159.878)
Deferred Tax Liabilities	(630.430)	(258.139)	(134.070)	(51.628)
Deferred Tax Assets/(Liabilities), Net			**(410.627)**	**(252.532)**
			(13.857)	**66.967**

	Current Period	Prior Period
	01.01-31.12.2017	01.01-31.12.2016
Deferred Tax as of January 1 Asset/ (Liability)- Net	66.967	100.943
Deferred Tax (Loss) / Gain	6.271	(86.421)
Deferred Tax that is Realized Under Shareholder's Equity	(87.095)	52.445
December 31 Deferred Tax Asset/ (Liability) - Net	**(13.857)**	**66.967**

18. Information on assets held for sale and discontinued operations:

As of December 31, 2017, the Bank's assets held for sale is nil (December 31, 2016: None).

19. Information on other assets:

19.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Other Prepaid Expenses	572.388	468.158
Collateral Given for Derivative Transactions	538.740	401.899
Assets Held for Resale (net)	361.684	367.420
Cheques Receivables from Other Banks	291.355	105.524
Miscellaneous Receivables	72.281	212.792
Prepaid rent expenses	34.454	34.200
Prepaid Agency Commissions	12.460	3.083
Advances Given	3.847	2.749
Other	73.700	57.129
Total	**1.960.909**	**1.652.954**

19.2 If other assets exceed 10% of total assets, excluding off balance sheet commitments, the names and the balances of these accounts, the name and the amount of the subaccounts which create at least 20% of them are:

Details of the other assets are described in note 19.1 section of disclosure.

20. Accrued interest and income

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Instruments Held for Hedging	2.875.719	62.407	3.409.777	33.561
Assets on Trading Derivatives	2.258.281	245.861	2.574.900	199.011
Loans	1.030.162	297.163	708.533	215.444
Investment securities held to maturity	167.886	46.918	68.347	28.291
Trading Securities	54.368	29.369	(23.660)	(181.297)
Central Bank	36.002	-	14.264	13
Lease Receivables	13.154	14.632	10.001	6.762
Banks	1.451	97	1.663	4
Investment Securities Available for Sale	2.563	36	583	(387)
Other Accruals	8.400	6.090	19.207	1.057
Total	**6.447.986**	**702.573**	**6.783.615**	**302.459**

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

II. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity structure of deposits:

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	**2.841.194**	**-**	**2.664.643**	**16.185.117**	**1.001.997**	**391.611**	**1.178.780**	**2.367**	**24.265.709**
Foreign Currency Deposits	**5.823.343**	**-**	**2.378.212**	**18.324.339**	**1.449.750**	**904.862**	**673.011**	**225**	**29.553.742**
Residents in Turkey	5.689.894	-	2.349.762	17.934.971	1.393.954	876.098	502.143	213	28.747.035
Residents Abroad	133.449	-	28.450	389.368	55.796	28.764	170.868	12	806.707
Public Sector Deposits	**112.977**	**-**	**2.509**	**13.989**	**97**	**8**	**119**	**-**	**129.699**
Commercial Deposits	**2.649.439**	**-**	**2.551.196**	**2.936.396**	**297.440**	**323.156**	**789.212**	**-**	**9.546.839**
Other Ins. Deposits	**56.387**	**-**	**34.530**	**185.822**	**159.759**	**67.049**	**566**	**-**	**504.113**
Precious Metal Deposits	**1.111.916**	**-**	**-**	**17.196**	**354**	**-**	**68.928**	**-**	**1.198.394**
Bank Deposits	**129.280**	**-**	**673.759**	**1.256.275**	**136.335**	**69.007**	**80.223**	**-**	**2.344.879**
T.R. Central Bank	-	-	609.785	-	-	-	-	-	609.785
Domestic Banks	29.205	-	2.008	15.895	4.089	-	-	-	51.197
Foreign Banks	52.199	-	61.966	1.240.380	132.246	69.007	80.223	-	1.636.021
Participation Banks	47.876	-	-	-	-	-	-	-	47.876
Other	-	-	-	-	-	-	-	-	-
Total	**12.724.536**	**-**	**8.304.849**	**38.919.134**	**3.045.732**	**1.755.693**	**2.790.839**	**2.592**	**67.543.375**

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	**2.518.720**	**-**	**2.909.327**	**14.654.307**	**459.007**	**277.111**	**783.479**	**2.809**	**21.604.760**
Foreign Currency Deposits	**3.750.627**	**-**	**1.638.432**	**12.809.320**	**833.244**	**398.458**	**493.925**	**318**	**19.924.324**
Residents in Turkey	3.661.310	-	1.619.555	12.519.859	801.770	377.844	443.721	290	19.424.349
Residents Abroad	89.317	-	18.877	289.461	31.474	20.614	50.204	28	499.975
Public Sector Deposits	**76.394**	**-**	**6.906**	**42.448**	**551**	**6.229**	**167**	**-**	**132.695**
Commercial Deposits	**2.124.465**	**-**	**1.938.824**	**3.802.561**	**67.461**	**295.276**	**120.558**	**-**	**8.349.145**
Other Ins. Deposits	**34.809**	**-**	**153.418**	**496.379**	**15.849**	**385.758**	**16.699**	**-**	**1.102.912**
Precious Metal Deposits	**717.286**	**-**	**-**	**1.324**	**1.669**	**1.444**	**56.705**	**-**	**778.428**
Bank Deposits	**136.155**	**-**	**200.082**	**1.517.852**	**66.711**	**50.041**	**2.144**	**-**	**1.972.985**
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	9.005	-	15.734	242.252	-	2.146	2.144	-	271.281
Foreign Banks	17.936	-	184.348	1.275.600	66.711	47.895	-	-	1.592.490
Participation Banks	109.214	-	-	-	-	-	-	-	109.214
Other	-	-	-	-	-	-	-	-	-
Total	**9.358.456**	**-**	**6.846.989**	**33.324.191**	**1.444.492**	**1.414.317**	**1.473.677**	**3.127**	**53.865.249**

1.1. Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	12.342.514	11.407.962	11.921.850	10.196.172
Foreign Currency Savings Deposits	3.857.126	2.822.431	14.315.461	11.965.439
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**16.199.640**	**14.230.393**	**26.237.311**	**22.161.611**

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	7.440	51.038
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	15.440	41.646
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	**22.880**	**92.684**

2. Information on trading purpose derivatives:

a) Negative value of trading purpose derivatives:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	83.786	-	199.244	-
Swaps	1.787.821	175.993	2.187.607	163.987
Futures	-	103	-	334
Options	275	22.266	168	50.376
Other	-	-	-	-
Total	**1.871.882**	**198.362**	**2.387.019**	**214.697**

(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 PERIOD ENDED DECEMBER 31, 2017
(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	813.435	459.170	435.660	648.879
Foreign Banks, Institutions and Funds	641.546	16.097.875	109.792	9.969.214
Total	**1.454.981**	**16.557.045**	**545.452**	**10.618.093**

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	812.291	5.770.207	373.918	3.591.389
Medium and Long-Term	642.690	10.786.838	171.534	7.026.704
Total	**1.454.981**	**16.557.045**	**545.452**	**10.618.093**

Deposit is the most significant fund source of the Bank and does not present any risk concentration with its consistent structure extended to a wide base. Credits obtained predominantly consist of funds provided by financial institutions abroad having different characteristics and maturity-interest structure such as syndication, securitization, post-financing. There exist no risk concentration on the fund sources of the Bank.

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

As of December 31, 2017, the Group's liabilities comprise; 51% deposits (December 31, 2016 – 52%), 14% funds borrowed (December 31, 2016 – 11%), 8% issued bonds (December 31, 2016 – 6%) and 5% funds provided under repurchase agreements (December 31, 2016 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	**1.852.178**	**-**	**1.493.621**	**-**
Financial institutions and organizations	1.790.023	-	1.465.707	-
Other institutions and organizations	15.494	-	10.315	-
Real persons	46.661	-	17.599	-
From foreign transactions	**6.724**	**4.631.256**	**8.413**	**3.519.709**
Financial institutions and organizations	-	4.631.256	-	3.519.709
Other institutions and organizations	6.724	-	8.413	-
Real persons	-	-	-	-
Total	**1.858.902**	**4.631.256**	**1.502.034**	**3.519.709**

5. Information on securities issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	4.208.176	57.156	1.749.202	53.683
Bills	195.169	5.937.524	112.064	4.416.628
Total	**4.403.345**	**5.994.680**	**1.861.266**	**4.470.311**

As of December 31, 2017 The Parent Bank has government bond issue program (Global Medium Term Note Programme) amounting to USD 5 Billion.

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, 2016 – 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, 2016 – None).

7.2. Financial lease payables

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

7.3. Information on operational lease

Operational lease payments are recognized as an expense in the income statement on a straight-line basis over the lease terms. The Bank arranges operating lease arrangements for some of its ATM and branches. The lease contract is done on a yearly basis and the payment is made upfront each year and realized as an expense under the “Other Assets” account.

7.4. Information on “Sale -and- lease back” agreements

The Group does not have any sale-and-lease back transactions in the current period (December 31, 2016 – None).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (*)	16.615	204.528	-	190.559
Cash Flow Hedge (**)	280.204	34.727	196.239	39.930
Net Investment Hedge	-	-	-	-
Total	**296.819**	**239.255**	**196.239**	**230.489**

(*) Derivative financial instruments for hedging purposes include swaps. As of December 31, 2017, TL 41.598 (December 31, 2016 – TL 27.211) represents the fair value of derivatives which are the hedging instruments of hedged loan portfolio, TL 168.798 (December 31, 2016 –TL 163.348) represents security portfolio, TL 6.691 represents leasing transactions (31 December 2016 - None), and TL 4.056 (December 31, 2016 – TL 0) represent issued bonds (December 31, 2016 – TL 0).

(**) Represents the fair values of derivatives which are the hedging instruments of deposits' cash flow risk.

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9. Information on provisions

9.1. Information on general provisions

	Current Period	Prior Period
Provisions for Loans and Receivables in Group I	1.125.989	967.669
Provisions for Loans and Receivables in Group II	120.163	181.934
-Additional Provision for Loans and Receivables with Extended Maturities	91.845	99.685
Other	59.270	39.124
Total	**1.397.267**	**1.288.412**

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

	Current Period	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans (*)	3.573	438

(*) The foreign exchange provision for foreign currency indexed loans netted against “Loans and Receivables” in asset.

9.3. Specific provisions for non cash loans that are not indemnified and converted into cash

The specific provision for non cash loans which are related with the non-performing cash loans in arrears or the loans which were written off from balance sheet is TL 45.014 (December 31,2016 - TL 41.241).

9.4 Information on employee termination benefits and unused vacation accrual

The Group has calculated reserve for employee termination benefits by using actuarial valuations as set out in TAS 19 and reflected these accompanying financial statements.

As of December 31, 2017, TL 182.089 (December 31, 2016 - TL 144.405) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2017, the Group accrued TL 46.042 (December 31, 2016 - TL 42.565) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2017, TL 151.679 (December 31, 2016 – TL 108.458) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

9.4.1 Movement of employee termination benefits

	Current Period 01.01-31.12.2017	Prior Period 01.01-31.12.2016
As of January 1	144.405	130.051
Service cost	19.404	18.910
Interest Cost	15.957	13.906
Settlement / curtailment / termination loss	10.203	11.571
Actuarial Difference	32.989	(2.525)
Paid during the period	(40.869)	(27.508)
Total	**182.089**	**144.405**

9.5. Information on other provisions

9.5.1. Information on provisions for possible risks

Apart from the information provided in 9.3, the other provisions are given below as follows:

	Current Period	Prior Period
Provision for Closely Monitored Loans(*)	108.450	39.901
Provision for Promotion Expenses of Credit Cards	9.356	7.707
General Reserves for Possible Risks	-	-
Other Provisions	153.086	122.063
Total	**270.892**	**169.671**

(*)As at December 31, 2017, the Parent Bank has made a provision for watch list loans amounting to TL 108.450 December 2016 – 39.901) based on collection rates for subject loans.

10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

As of December 31, 2017, the Group has current tax liability of TL 475.298 (December 31, 2016 - TL 208.292) and as of December 31, 2017, the Group has prepaid tax TL 55.739 (December 31, 2016 - TL 10.194).

The current tax liability and the prepaid taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of December 31, 2017, after the offsetting, the current tax liability amounting to TL 419.559 (December 31, 2016 – TL 198.098) is disclosed with current tax receivable TL 12.181 (December 31, 2016– TL 4.737)

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	419.559	198.098
Taxation on Securities Income	56.775	42.253
Taxation on Real Estates Income	1.953	2.013
Banking and Insurance Transaction Tax (BITT)	65.519	52.974
VAT Payable	154	167
Other	25.771	28.119
Total	**569.731**	**323.624**

The Group presents The "Corporate Taxes Payable" balance in the "Current Tax Liability" account and other taxes are presented in the "Other Liabilities" account in the accompanying consolidated financial statements.

10.1.3 Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	21.365	16.523
Social Security Premiums - Employer Share	18.871	17.711
Pension Fund Fee and Provisions – Employee Share	11	13
Pension Fund Fee and Provisions – Employer Share	37	42
Unemployment Insurance - Employee Share	1.245	1.164
Unemployment Insurance - Employer Share	2.486	2.320
Other	34	21
Total	**44.049**	**37.794**

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

10.2 Information on Deferred Tax Liabilities

According to TAS 12, the deferred tax assets and liabilities of the consolidated subsidiaries are netted off separately in their financial statements. Deferred tax asset is TL 34.894 (December 31, 2016 – TL 66.967) and deferred tax liability is TL 48.751 (31 December 2016 – None). 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 18.606 are netted under equity. (December, 31 2016– TL 105.701 deferred tax assets).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Provision for Employee Rights	379.809	295.428	83.877	59.086
Difference Between the Book Value of Financial Assets and Tax Base	510.067	503.152	123.869	100.630
Other	871.924	798.914	189.024	159.783
Deferred Tax Assets			**396.770**	**319.499**
Difference Between the Book Value Financial Fixed Assets and Tax Base	(234.253)	(205.128)	(847.422)	(41.026)
Difference Between the Book Value of Financial Assets and Tax Base	(997.362)	(799.389)	(229.135)	(159.878)
Other	(630.430)	(258.139)	(134.070)	(51.628)
Deferred Tax Liabilities			**(410.627)**	**(252.532)**
Deferred Tax Assets/(Liabilities), Net			**(13.857)**	**66.967**

	Current Period 01.01-31.12.2017	Prior Period 01.01-31.12.2016
Deferred Tax as of January 1 Asset/ (Liability)- Net	66.967	100.943
Deferred Tax (Loss) / Gain	6.271	(86.421)
Deferred Tax that is Realized Under Shareholder's Equity	(87.095)	52.445
December 31 Deferred Tax Asset/ (Liability) - Net	**(13.857)**	**66.967**

11. Information on payables related to assets held for sale

None. (December 31, 2016- None)

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	3.510.837	-	3.235.793
From Other Foreign Institutions	-	-	-	-
Total	**-**	**3.510.837**	**-**	**3.235.793**

The Parent Bank received USD 650 million of subordinated loans during 2008 and USD 325 million of subordinated loans during 2009 from its former main shareholder, National Bank of Greece S.A. The loan amounting to USD 325 million which was received in 2008 was paid back in 2010 to be used in capital increase. In addition, the Parent Bank received USD 260 million of subordinated loans in 2011 from National Bank of Greece S.A. Aforementioned subordinated loans are subject to interest payment every 6 months and principal payment at maturity In accordance with the share purchase agreement signed on December 21, 2015, mentioned subordinated loans was transferred to QNB as of June 15, 2016 with remaining unchanged all terms and conditions. USD 325 million of existing subordinated loans will mature in 2021, USD 325 million will mature in 2020. The subordinated loan amounting to USD 260 million was renewed as the current maturity 2027, in line with Basel III on May 22, 2017.

13. Information on shareholder's equity

13.1. Paid-in capital

	Current Period	Prior Period
Common Stock	3.350.000	3.150.000
Preferred Stock	-	-

13.2. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital

Capital System	Paid-in Capital	Ceiling
Registered Capital System	3.350.000	12.000.000

13.3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period.

Increase Date	Increase Amount	Cash	Profit Reserves held subject to the Increase	Capital Reserves held subject to the Increase
August 21, 2017	200.000	-	200.000	-

13.4. Information on share capital increases from revaluation funds

None (December 31, 2016 - 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, 2016 - None).

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

None (December 31, 2016 - None).

14. Common stock issue premiums, shares and equity instruments

	Current Period	Prior Period
Number of Stocks (Thousands)	33.500.000	31.500.000
Preferred Capital Stock	-	-
Common Stock Issue Premiums [(*)]	714	714
Common Stock Withdrawal Profits	-	-

[(*)] Due to the Parent Bank's capital increase at the prior periods, common stock issue premium accounted amounting to TL 714.

15. Marketable securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control	**-**	**-**	**-**	**-**
Valuation Differences	-	-	-	-
Foreign Exchange Rate Differences	-	-	-	-
Securities Available-for-Sale	**(53.163)**	**(176.412)**	**(40.675)**	**(379.478)**
Valuation Differences	(53.163)	(176.412)	(40.675)	(379.478)
Foreign Exchange Rate Differences	-	-	-	-
Total	**(53.163)**	**(176.412)**	**(40.675)**	**(379.478)**

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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
Deposits	358.719	57.098	207.471	29.298
Derivative Financial Liabilities Held for Trading	1.871.882	198.362	2.387.019	214.697
Funds Borrowed	21.436	127.421	5.337	80.606
Money Market Borrowings	1.900	16.306	1.293	8.699
Derivative Financial Liabilities Held for Hedging	296.819	239.255	196.239	230.489
Issued Securities	4.269	45.746	2.064	40.054
Other Accruals	120.130	407	94.879	125
Total	**2.675.155**	**684.595**	**2.894.302**	**603.968**

SECTION FIVE

III. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ITEMS

1. Information related to consolidated off-balance sheet contingencies

1.1. Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	17.115.833	16.396.189
Commitment For Use Guaranteed Credit Allocation	9.774.575	19.365.124
Forward Asset Purchase Commitments	2.790.244	1.216.540
Payment Commitments for Cheques	2.754.045	2.707.388
Other Irrevocable Commitments	1.056.395	1.580.388
Commitments for promotions related with credit cards and banking activities	45.880	19.721
Tax and Fund Liabilities due to Export Commitments	15.358	10.267
Capital commitments of associates and subsidiaries	-	30.000
Total	**33.552.330**	**41.325.617**

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

Specific provision is provided for the non-cash loans amounting to TL 45.014 (December 31, 2016 – TL 41.241) followed in the off-balance sheet accounts that are not indemnified and not liquidated yet. Tax and Fund Liabilities due to Export Commitments.

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

	Current Period	Prior Period
Bank Loans	3.012.892	1.255.477
Letters of Credit	1.783.291	1.121.818
Other Guarantees	-	-
Total	**4.796.183**	**2.377.295**

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

	Current Period	Prior Period
Provisional Letters of Guarantee	920.541	719.081
Final Letters of Guarantee	6.387.607	5.179.891
Advance Letters of Guarantee	822.037	500.730
Letters of Guarantee Given to Customs Offices	457.444	347.024
Other Letters of Guarantee	5.931.237	4.059.989
Total	**14.518.866**	**10.806.715**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	**2.315.378**	**1.116.069**
Less Than or Equal to One Year with Original Maturity	681.540	256.881
More Than One Year with Original Maturity	1.633.838	859.188
Other Non-Cash Loans	**16.999.671**	**12.067.941**
Total	**19.315.049**	**13.184.010**

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QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3. Information on risk concentration in sector terms in non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	**44.952**	**0,51**	**2.855**	**0,03**	**34.061**	**0,47**	**6.774**	**0,11**
Farming and Raising Livestock	40.054	0,45	-	-	32.713	0,46	265	-
Forestry	2.375	0,03	-	-	251	-	-	-
Fishing	2.523	0,03	2.855	0,03	1.097	0,01	6.509	0,11
Manufacturing	**1.261.085**	**14,27**	**4.430.301**	**42,29**	**1.047.136**	**14,60**	**2.993.067**	**49,78**
Mining and Quarrying	48.598	0,55	36.769	0,35	49.329	0,69	32.428	0,54
Production	990.927	11,21	3.888.686	37,12	836.199	11,66	2.381.804	39,61
Electricity, gas and water	221.560	2,51	504.846	4,82	161.608	2,25	578.835	9,63
Construction	**2.769.132**	**31,33**	**782.143**	**7,47**	**2.243.853**	**31,29**	**807.527**	**13,43**
Services	**4.095.605**	**46,33**	**2.555.222**	**24,39**	**3.748.165**	**52,28**	**2.155.411**	**35,85**
Wholesale and Retail Trade	2.475.606	28,01	954.016	9,11	2.186.915	30,50	876.553	14,58
Hotel, Food and Beverage Services	75.523	0,85	85.148	0,81	101.628	1,42	84.316	1,40
Transportation&Communication	193.455	2,19	280.352	2,67	182.535	2,55	212.038	3,53
Financial Institutions	773.612	8,75	838.847	8,01	753.766	10,51	726.130	12,07
Real Estate and Renting Services	8.232	0,09	611	0,01	3.484	0,05	2.114	0,04
Self Employment Services	274.603	3,11	36.769	0,35	257.428	3,59	46.888	0,78
Educational Services	6.262	0,07	-	-	5.747	0,08	-	-
Health and Social Services	288.312	3,26	359.479	3,43	256.662	3,58	207.372	3,45
Other	**668.642**	**7,56**	**2.705.112**	**25,82**	**97.791**	**1,36**	**50.225**	**0,83**
Total	**8.839.416**	**100,00**	**10.475.633**	**100,00**	**7.171.006**	**100,00**	**6.013.004**	**100,00**

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

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

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

	I. Group		II. Group	
Prior Period(*)	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	6.939.103	3.529.492	187.530	109.349
Bill of Exchange and Acceptances	7.421	1.248.034	-	22
Letters of Credit	5.000	1.115.882	-	936
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**6.951.524**	**5.893.408**	**187.530**	**110.307**

(*) Does not include non-cash loans amounting to TL 41.241 for which provision is provided, but which are not indemnified and not liquidated yet.

5. Information related to derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**121.722.064**	**99.583.814**
Forward transactions (*)	13.453.085	11.595.988
Swap transactions	100.407.541	78.323.566
Futures transactions	209.931	74.460
Option transactions	7.651.507	9.589.800
Interest Related Derivative Transactions (II)	**20.280.668**	**16.261.062**
Forward rate transactions	-	-
Interest rate swap transactions	20.280.668	16.261.062
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	**628.716**	**882.950**
A. Total Trading Derivative Transactions (I+II+III)	**142.631.448**	**116.727.826**
Types of hedging transactions		
Fair value hedges	19.147.014	15.094.984
Cash flow hedges	35.382.276	22.704.240
Net investment hedges	-	-
B. Total Hedging Related Derivatives	**54.529.290**	**37.799.224**
Total Derivative Transactions (A+B)	**197.160.738**	**154.527.050**

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

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

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

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

Prior Period	Forward Buy (**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
TL	2.830.861	1.642.795	21.550.376	30.799.731	2.355.495	2.147.106	-	-	-
USD	2.198.997	3.183.658	40.411.454	28.957.009	1.975.445	2.432.743	37.230	37.230	882.950
Euro	701.863	952.940	4.959.399	4.474.214	372.903	202.619	-	-	-
Other	27.872	57.002	1.187.504	44.165	53.919	49.570	-	-	-
Total	**5.759.593**	**5.836.395**	**68.108.733**	**64.275.119**	**4.757.762**	**4.832.038**	**37.230**	**37.230**	**882.950**

(*) 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 PERIOD ENDED DECEMBER 31, 2017
(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 4.757.337 (December 31, 2016 – TL 3.532.426) were subject to hedge accounting by swaps with a nominal of TL 4.973.074 (December 31, 2016 – TL 3.456.411). On December 31, 2017 the net market valuation difference gain amounting to TL 34.461 due to the loss from the loans amounting to TL 5.235 (December 31, 2016 – TL 103.915 gain) loss, from swaps amounting to TL 36.696 (December 31, 2016 – TL 80.194 loss) loss is accounted for under "gain / (loss) from financial derivatives transactions" line in the accompanying financial statements.

As of balance sheet date project finance loans amounting to TL 188.632 (December 31, 2016 – TL 168.103) have been subject to hedge accounting with swaps with a nominal amount of TL 179.136 (December 31, 2016 – TL 160.939). In 2017, TL 1.196 net fair valuation difference loss, net of TL 2.014 (december 30, 2016 – TL 2.379 gain) loss from loans and TL 818 (December 31, 2016 – TL 619 loss) gain from swaps has been recorded under "Gains / (loss) from financial derivatives transactions" on accompanying financial statements.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Parent Bank has booked the valuation effect amounting to TL 9.606 (December 31, 2016 – TL 7.429) related to the loans that are ineffective for hedge accounting under "gain / (loss) from financial derivatives transactions" as loss during the current period.

b) Investment securities available for sale

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 371,7 million and EUR 75,4 million (December 31, 2016 – USD 378,7 million and EUR 75,8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2017, the net market valuation difference loss amounting to TL 945 due to gain from Eurobonds amounting to TL 4.794 (December 31, 2016 – TL 5.443 gain) and loss from swaps amounting to TL 5.739 (December 31, 2016 – TL 3.002 loss) is accounted for under "gain / (loss) from financial derivatives transactions" line in the accompanying financial statements.

The Parent Bank does not apply fair value hedge on TL government bonds in the current period (December 31, 2016 – 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 fixed and floating interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 283 million (December 31, 2016 – USD 283 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2017, TL 267 net fair valuation difference gain, net of TL 6.669 (December 31, 2016 – TL 7.525 gain) gain from issued bonds and TL 6.402 (December 31, 2016 – TL 7.981 loss) loss from swaps, has been recorded under "Gain / (loss) from financial derivatives transactions" on accompanying financial statements.

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 343.140 (December 31, 2016 – None) have been subject to hedge accounting with the same amount of swaps. As of December 31, 2017, TL 254 net fair valuation difference gain, net of TL 338 (December 31, 2016 – None) gain from issued bonds and TL 592 (December 31, 2016 – None) gain from swaps, has been recorded under "Gain/ (loss) from financial derivatives transactions" on accompanying financial statements.

d) Tangible Assets

The Parent Bank has designated fair value hedge accounting through foreign currency fundings to be hedged from fair value changes resulting from currency changes in real estate property which has been bought in foreign currency and has a market value denominated in foreign currency. Immovable having a carrying value at an amount of USD 380 million is subjected to hedge accounting with securities issued. The Parent Bank has recognized a cumulative amount of TL 400.552 fair value exchange difference income (December 31, 2016 – TL 298.423 foreign exchange difference gain) whose TL 102.128 portion is a fair value exchange difference gain in current period from aforementioned immovable. The aforementioned exchange difference income will be amortized through the economic life of immovable which is the subject of hedging.

e) Borrowings

The Parent Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2016- EUR 30 million) is subjected to hedge accounting with a swap having the same amount. A net mark to market difference loss at an amount of TL 13 (December 31, 2016- TL 22 gain) sourcing from gain at an amount of TL 521 (December 31, 2016 – TL 2.160 loss) from aforementioned credit and loss at an amount of TL 508 (December 31, 2016 – TL 2.182 gain) from swaps is recognized under “Gain/loss from Derivative Financial Transactions.”

Finans Finansal Kiralama AŞ., the subsidiary of The Parent Bank, implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate TL credits used. Credit at an amount of TL 149.988 (December 31, 2016 - None) is subjected to hedge accounting with a swap having same amount. A net mark to market difference loss at an amount of TL 365 (December 31, 2016 - TL None) sourcing from gain at an amount of TL 2.775 (December 31, 2016 – None) from aforementioned credit and loss at an amount of TL 3.140 (December 31, 2016 - None) from swaps are 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 1 month, the Parent Bank implements cash flow hedge accounting with interest rate swaps. The Parent Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 5.210.000 are subject to hedge accounting as hedging instruments (December 31, 2016 – TL 5.270.130). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 106.616 are accounted for under equity during the current period (December 31, 2016 – TL 51.278 loss). The amounts for the ineffective portion of expenditures in the amount of TL 676 gain is associated with the income statement (December 31, 2016 – TL 2 gain)

As of the balance sheet date, swaps with a nominal amount of USD 2.753 million (December 31, 2016 – USD 1.737 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 319 million (December 31, 2016 – EUR 139 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value loss before taxes amounting to TL 121.387 are accounted under equity during the current period (December 31, 2016 – TL 6.746 gain). The loss amounting to TL 248 (December 31, 2016 – TL 636 loss) relating to the ineffective portion is accounted under at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness at periods when the expected cash flows subject to hedge accounting affect profit or loss (as in periods when interest income or expense is recognized). In the current period there is loss of TL 1.327 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (December 31, 2016 – TL 18.624 gain).

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

b) Subordinated Loans

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The 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 USD 260 million are subject to hedge accounting as hedging instruments (December 31, 2016 – None). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 11.673 are accounted for under equity during the current period (December 31, 2016- None). Income of TL 688 related to the ineffective portion is associated with the income statement.

c) Borrowings

Subsidiary 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 48.227 (31 December 2016 - None) are subject to risk protection accounting as a hedge of risk. As a result of the related contingent hedge accounting, fair value gain (before December 31, 2016 - not available) of TL 58 before tax is recognized under equity in the current period. The expense amounting to TL 2 for the ineffective portion is associated with the income statement (31 December 2016 - None).

The measurements as of December 31, 2017, hedge of cash flow transactions stated above are determined as effective.

6. Credit derivatives and risk exposures on credit derivatives

As of December 31 2017, the Parent Bank has no commitments “Credit Linked Notes” (As of December 31, 2016 - None).

As of December 31, 2017, “Other Derivative Financial Instruments” with nominal amount of USD 165.000.000 (December 31, 2016: USD 250.000.000) are included in Parent Bank’s “Swap Interest Sell Transactions.” In aforementioned transaction, The Parent Bank is the seller of the protection for USD 165.000.000.

7 Information on contingent liabilities and assets

The Bank has recorded a provision of TL 44.781 (December 31, 2016 - TL 24.635) for litigation and has accounted for it in the accompanying financial statements under the “Other Provisions” account (Section Five, part II.9.5). Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

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

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

MOODY'S March 2017		FITCH March 2017		CI August 2017	
Long-Term Deposit Rating (FC)	Ba2	Long -Term Foreign Curr.	BBB-	Long-Term Foreign Curr.	BB+
Long-Term Deposit Rating (TL)	Ba1	Short-Term Foreign Curr.	F3	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	BBB-	FC Appearance	Negative
Short-Term Deposit Rating (TL)	NP	Short-Term TL	F3	Financial Strength Rating	BBB
Main Credit Evaluation	ba3	Long-Term National	AAA(tur)	Financial Strength Appearance	Negative
Appearance	Negative	Appearance	Stable	Support	2
Long Term Foreign Currency Borrowing	Ba1	Long Term Foreign Currency Borrowing	BBB-		
		Support	2		
		Financial Capacity Rating	bb+		

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

IV. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED INCOME STATEMENT

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	3.430.512	61.137	3.458.346	42.704
Medium and Long-Term Loans	4.983.431	754.036	3.620.268	506.811
Non-Performing Loans	83.175	-	94.501	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total	**8.497.118**	**815.173**	**7.173.115**	**549.515**

b) Information on interest income from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank [*]	-	1	-	756
Domestic Banks	186.465	444	2.484	29
Foreign Banks	2.169	12.959	2.922	5.238
Foreign Headquarters and Branches	-	-	-	-
Total	**188.634**	**13.404**	**5.406**	**6.023**

[*] The interest income on Required Reserve amounting TL 113.120 is not included in interest income on Banks. (December 31, 2016: TL 52.930).

c) Information on interest income from securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Held-for-Trading Financial Assets	4.848	496	4.442	-
Financial Assets at FVTPL	1.854	44	4.231	219
Investment Securities Available for Sale	470.587	147.203	362.729	121.143
Investment Securities Held to Maturity	454.891	161.388	278.755	72.163
Total	**932.180**	**309.131**	**650.157**	**193.525**

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary. The estimated inflation rate used in the valuation of the related assets was updated according to the annual inflation rate of 11,90% as of 31 December 2017.

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

None (December 31, 2016 – None)

2. a) Information on interest expense related to funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	149.330	622.566	52.274	371.460
T.R. Central Bank	-	-	-	-
Domestic Banks	86.414	14.676	29.961	18.782
Foreign Banks	62.916	607.890	22.313	352.678
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	149.330	622.566	52.274	371.460

b) Information on interest expense paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	61.609	915

c) Information on interest expense paid to securities issued

As of December 31, 2017 the interest amount paid to securities issued is TL 544.570 (December 31, 2016 – TL 341.639)

d) Information on maturity structure of interest expenses on deposits

Current Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	49.209	3.115	-	-	-	-	52.324
Saving Deposits	1	224.056	1.808.348	119.927	51.389	116.413	-	2.320.134
Public Sector Deposits	-	402	3.160	211	18	13	-	3.804
Commercial Deposits	1	331.586	508.396	47.800	83.607	58.914	-	1.030.304
Other Deposits	-	5.929	43.732	9.728	28.138	469	-	87.996
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	2	611.182	2.366.751	177.666	163.152	175.809	-	3.494.562
Foreign Currency								
Deposits	-	28.875	413.183	36.454	18.873	12.579	-	509.964
Bank Deposits	300	49.365	5.573	1.418	2.743	-	-	59.399
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	886	-	-	-	-	-	886
Total	300	79.126	418.756	37.872	21.616	12.579	-	570.249
Grand Total	302	690.308	2.785.507	215.538	184.768	188.388	-	4.064.811

(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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months
Turkish Lira								
Bank Deposits	-	18.523	6.312	237	427	-	-	25.499
Saving Deposits	-	224.697	1.586.095	66.009	33.551	92.527	-	2.002.879
Public Sector Deposits	-	288	6.707	159	241	12	-	7.407
Commercial Deposits	1	182.099	454.173	59.184	21.198	19.613	-	736.268
Other Deposits	-	3.685	70.692	28.024	44.211	1.693	-	148.305
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	1	429.292	2.123.979	153.613	99.628	113.845	-	2.920.358
Foreign Currency								
Deposits	-	28.802	277.304	19.137	5.452	9.424	-	340.119
Bank Deposits	98	16.191	5.655	968	-	-	-	22.912
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	659	-	-	-	-	-	659
Total	98	45.652	282.959	20.105	5.452	9.424	-	363.690
Grand Total	99	474.944	2.406.938	173.718	105.080	123.269	-	3.284.048

e) Information on interest expenses on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Repurchase Agreements (*)	80.478	75.553	181.893	31.493

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

f) Information on finance lease expenses

None (December 31, 2016 – None).

g) Information on interest expenses on factoring payables

None (December 31, 2016 – None).

3. Information on dividend income

	Current Period	Prior Period
Financial Assets Held for Trading	308	113
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets Available for Sale	-	-
Other	1.146	57
Total	1.454	170

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

4. Information on trading income/loss

	Current Period	Prior Period
Trading Gain	**10.131.268**	**8.194.701**
Gains on Capital Market Operations	40.460	42.851
Derivative Financial Instruments	5.918.663	4.062.259
Foreign Exchange Gains	4.172.145	4.089.591
Trading Loss (-)	**11.273.756**	**8.856.234**
Losses on Capital Market Operations	31.153	25.730
Derivative Financial Instruments	7.097.033	4.775.554
Foreign Exchange Losses	4.145.570	4.054.950
Net Trading Income/Loss	**(1.142.488)**	**(661.533)**

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
Specific Provisions For Loans and Other Receivables	**1.094.464**	**1.452.743**
Loans and Receivables in Group III	349.076	267.568
Loans and Receivables in Group IV	197.116	295.346
Loans and Receivables in Group V	548.272	889.829
Provision for Free Reserves on Possible Losses	**68.549**	**(66.340)**
General provisions	**108.870**	**98.009**
General reserves for possible risks	**-**	**(100.000)**
Impairment Losses on Securities	**-**	**-**
Financial assets at fair value through profit or loss	-	-
Investment Securities available for sale	-	-
Impairment Losses on Associates, Subsidiaries and		
Investment Securities Held-to-Maturity	**-**	**-**
Associates	-	-
Subsidiaries	-	-
Entities under common control	-	-
Investment securities held-to-maturity	-	-
Other	**(2.891)**	**6.011**
Total	**1.268.992**	**1.390.423**

7. Information on other operating expenses

	Current Period	Prior Period
Personnel costs	1.340.693	1.218.027
Reserve for employee termination benefits	4.695	16.880
Provision for pension fund deficits	-	-
Impairment losses on tangible assets	-	-
Depreciation charge of tangible assets	141.206	140.670
Impairment losses on intangible assets	-	-
Impairment losses on goodwill	-	-
Amortization charge of intangible assets	114.509	108.526
Impairment losses on investments under equity method of accounting	-	-
Impairment losses on assets to be disposed of	-	-
Depreciation on assets to be disposed	-	6.164
Impairment charge of assets held for sale and discontinued operations	-	-
Other operating expenses	1.105.799	968.028
Operational lease related expenses	*221.551*	*224.233*
Repair and maintenance expenses	*150.123*	*127.133*
Advertisement expenses	*94.197*	*81.290*
Other expenses	*639.928*	*535.372*
Losses on sales of assets	376	2.726
Other	418.492	477.058
Total	**3.125.770**	**2.938.079**

(*) Comprising repayments amounting to TL 20.879 (December 31, 2016: TL 76.304) 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 year ended December 31, 2017, net interest income of TL 5.815.647 (December 31, 2016 – TL 4.678.620), net fees and commission income of TL 1.782.588 (December 31, 2016 – TL 1.444.877) and other operating income of TL 140.407 (December 31, 2016 – TL 411.137) constitute an important part of the period income.

9. Explanations on tax provision for continued and discontinued operations

9.1. Current period taxation benefit or charge and deferred tax benefit or charge

As of December 31, 2017, the Group recorded current tax charge of TL 475.297 (December 31, 2016 - TL 208.293 current tax charge) and a deferred tax income of TL 6.271 (December 31, 2016 – TL 86.421 deferred tax loss).

	Current Period	Prior Period
Current Tax Provision	(475.297)	(208.293)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/Expense	6.271	(86.421)
Total	**(469.026)**	**(294.714)**

9.2. Explanations on operating profit/loss after taxes

None (December 31, 2016 – None).

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

Net profit of the Group from continued operations is TL 1.772.351 (December 31, 2016 – TL 1.238.300).

11. Explanations on net income/loss for the period

11.1. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period

None (December 31, 2016 – None).

11.2. There is no material effect of changes in accounting estimates by the Group on income statement for the current and, for subsequent periods.

None.

11.3. Profit or loss attributable to minority shares

	Current Period	Prior Period
Profit / Loss Attributable to Minority Shares	565	1.895

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.

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

V. EXPLANATIONS AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

1. Changes resulting from valuation of available for sale securities

Net increase of TL 190.578 (December 31, 2016 – TL 175.894 net decrease) after tax effect resulting from valuation of available for sale securities at fair values is included in "Securities Value Increase Fund" account under shareholders equity.

2. Explanations on foreign exchange differences

None

3. Explanations on dividends

3.1 Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2016 profit as stated below at the Ordinary General Assembly held on March 30, 2017

2016 profit distribution table:

Current Year Profit	**1.203.410**
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(60.171)
B - The First Dividend for Shareholders(*)	(157.500)
C – Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(985.739)

(*) Has been distributed as Bonus Shares

3.2 Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (December 31, 2016- Profit distribution for 2016 is detailed in footnote 3.1).

3.3 Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained Earnings	62.637	35.443

4. Information on issuance of share certificates

4.1 The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (December 31, 2016- None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

Capital increase amounting to in order of 200.00 and TL 150.000 presented in the Statement of Changes in Shareholder's Equity in 2017 and 2016 is entirely provided from extraordinary reserves.

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

SECTION FIVE

VI. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED CASH FLOWS STATEMENT

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

"Other items" amounting to TL 1.284.938 (December 31, 2016- TL 7.860.450) in "Operating profit before changes in operating assets and liabilities" consist of commissions paid amounting to TL 275.989 (December 31, 2016 – TL 255.422), net trading income/loss amounting to TL 16.137 (December 31, 2016 – TL 4.847.831 net trading income/loss) and other operating expenses amounting to TL 1.025.086 (December 31, 2016 – TL 2.757.197).

"Other items" in changes in operating assets amounting to TL 2.744.136 (December 31, 2016 – TL 1.297.610) consist of the increase in collaterals given amounting to TL 104.230 (December 31, 2016 - TL 280.995 decrease), the decrease in lease receivables amounting to TL 816.380 (December 31, 2016 – TL 763.477 increase), the decrease in factoring receivables amounting to TL 630.032 (December 31, 2016 – TL 179.244 increase) and the decrease in other assets amounting to TL 401.954 (December 31, 2016 - TL 635.884 increase).

"Other items" in changes in operating liabilities amounting to TL 54.667 (December 31, 2016 - TL 2.778.447) consist of the increase in money market borrowings by TL 371.720 (December 31, 2016 - TL 1.807.740 increase) and the increase in sundry debtors and other liabilities by TL 317.053 (December 31, 2016 - TL 970.707 increase).

"Other items" in changes in net cash provided from banking operations amounting to TL 165.044 (December 31, 2016 – TL 126.705) includes the increase in intangible assets by TL 114.509 (December 31, 2016 – TL 108.526).

Effect of change in foreign currency on cash and cash equivalents is calculated as the difference between monthly average balances converted to TL using the currency rate at the beginning and at the end of the period and is TL 157.301 (December 31, 2016 – TL 64.523) as of December 31, 2017.

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	Current Period	Prior Period
	January 1, 2017	**January 1, 2016**
Cash	**1.064.055**	**955.907**
Cash in TL	685.252	678.547
Cash in Foreign Currencies	376.428	274.822
Other	2.375	2.538
Cash Equivalents	**4.845.889**	**2.775.629**
Balances with the T.R. Central Bank	2.941.850	2.418.116
Banks and Other Financial Institutions	264.548	278.336
Money Market Placements	1.667.618	87.711
Less: Placements with Banks with Maturities Longer than 3 Months	(12.182)	-
Less: Accruals	(15.945)	(8.534)
Cash and Cash Equivalents	**5.909.944**	**3.731.536**

3. Information regarding the balances of cash and cash equivalents at the end of the period

	Current Period	Prior Period
	December 31, 2017	**December 31, 2016**
Cash	**1.012.047**	**1.064.055**
Cash in TL	644.333	685.252
Cash in Foreign Currencies	340.629	376.428
Other	27.085	2.375
Cash Equivalents	**5.075.324**	**4.845.889**
Balances with the T.R. Central Bank	3.700.772	2.941.850
Banks and Other Financial Institutions	1.178.431	264.548
Money Market Placements	241.859	1.667.618
Less: Placements with Banks with Maturities Longer than 3 Months	(37.550)	(12.182)
Less: Accruals	(8.188)	(15.945)
Cash and Cash Equivalents	**6.087.371**	**5.909.944**

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 121.343 (December 31, 2016- TL 48.643) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the potential borrowings that can be used for banking operations or capital commitment

None.

SECTION FIVE

VII. EXPLANATIONS AND DISCLOSURES RELATED TO THE PARENT BANK'S RISK GROUP

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

1.1. As of December 31, 2017, the Parent Bank's risk group has deposits amounting to TL 640.640 (December 31, 2016 – TL 195.418), cash loans amounting to TL 146 (December 31, 2016 – None) and non-cash loans amounting to TL 12.254 (December 31, 2016- TL 1.252).

Current Period

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	5.896	1.179	-	1.252	1.586
Balance at the End of the Period	-	10.384	613	-	146	1.870
Interest and Commission Income	-	112	-	26	73	29

Prior Period

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	11.315	-	21.651	-	964
Balance at the End of the Period	-	5.896	1.179	-	1.252	1.586
Interest and Commission Income(**)	-	152	-	3	23	19

(*) As described in the Article 49 of Banking Law No 5411.
(**) Represents the balances of December 31, 2016.

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

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	15.700	11.345	-	-	179.718	258.905
Balance at the End of the Period	470.334	15.700	-	-	170.306	179.718
Interest on deposits(**)	61.609	915	-	-	15.903	15.743

(*) As described in the Article 49 of Banking Law No 5411.
(**) Previous period's balances represent 31 December 2016 balances.

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

1.3. Information on forward and option agreements and similar agreements made with the Parent Bank's risk group

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	-	-	-	168.641	-	74.646
End of the Period	-	-	1.046	-	-	-
Total Income/Loss (**)	-	-	(19)	-	-	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss (**)	-	-	-	-	-	-

(*) As described in the Article 49 of Banking Law No 5411.
(**) Previous period's balances represent 31 December 2016 balances.

1.4. Information on benefits provided for top management

As of December 31, 2017, the total amount of remuneration and bonuses paid to top management of the Group is TL 94.806 (December 31, 2016- TL 74.883).

2. Disclosures of transactions with the Parent Bank's risk group

2.1. Relations with entities in the risk group of / or controlled by the Parent Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

2.2. In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other matters

As of December 31, 2017, the rate of cash loans of the risk group divided by to total loans is 0%; (December 31, 2016 – 0%); the deposits represented 0,9% (December 31, 2016 – 0,4%) The ratio of total derivative transactions with derivatives is 0%. (December 31, 2016 – None)

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 Finans Finansal Kiralama A.Ş.

The Parent Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

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

Information in regards to subordinate loans the Bank received from Parent's Bank isexplained 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.

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

VIII. EXPLANATIONS ON THE PARENT BANK'S DOMESTIC, FOREIGN AND OFF-SHORE BANKING BRANCHES AND FOREIGN REPRESENTATIVES OF THE GROUP

1. Information relating to the Parent Bank's domestic and foreign branch and representatives

	Number	Employees	Country	Total Assets	Capital
Domestic Branch	579	13.095			
Foreign Representation	-	-	-		
Foreign Branch	1	8	1- Bahreyn	17.566.520	-
Off-shore Banking and Region Branches	-	-	-	-	-

SECTION SIX

OTHER EXPLANATIONS

I. Other explanations related to the Parent Bank's operations

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

The Bank made a bond issuances at a nominal amount of TL 185.200 having 14,20% interest rate with 88 days maturity and at a nominal amount of TL 329,650 having 14,50% interest rate with 84 days maturity on January 5, 2018 and at a nominal amount of TL 227,550 having 14,45% interest rate with 84 days maturity on January 12, 2018 and at a nominal amount TL 396,900 having 14,35% interest with 75 days maturity on January 18, 2018 and at a nominal amount TL 90,000 having 14,60% interest with 175 days maturity and at a nominal amount TL 150,500 having 14,35% interest with 84 days maturity on January 19, 2018 and at a nominal amount TL 160,900 having 14,20% interest with 83 days maturity on January 24, 2018 and at a nominal amount TL 103,200 having 14,35% interest with 84 days maturity on January 26, 2018 and at a nominal amount of TL 294,000 having 14,31% interest rate with 92 days maturity on January 31, 2018 and at a nominal amount of TL 168.400 having 14,35% interest rate with 77 days maturity on February 2, 2018.

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

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.

SECTION SEVEN

EXPLANATION ON AUDITOR'S REPORT

I. Explanations on Independent Audit Report

The unconsolidated financial statements for the year ended December 31, 2017 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's audit report dated February 2, 2018 is presented preceding the unconsolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2016 – 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 PERIOD ENDED DECEMBER 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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