QNB FİNANSBANK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR’S LIMITED REVIEW REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS, NOTES AND INTERIM ACTIVITY REPORT FOR THE SIX MONTH PERIOD THEN JUNE 30, 2019

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

Interim Review Report On Interim Financial Information

To the General Assembly of QNB Finansbank A.Ş.

Introduction

We have reviewed the unconsolidated balance sheet of QNB Finansbank A.Ş. ("the Bank") at June 30, 2019 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-month period then ended. The Bank Management is responsible for the preparation and fair presentation of these unconsolidated interim financial information in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on these unconsolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of QNB Finansbank A.Ş. at June 30, 2019 and of the results of its operations and its cash flows for the six-month period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation

Report on other regulatory requirements arising from legislation

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

Additional paragraph for convenience translation to English:

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

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

Hatice Dilek Çilingir Köstem, SMMM
Partner

July 30, 2019
İstanbul, Türkiye

THE UNCONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2019

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 56 48
Web page	:	www.qnbfinansbank.com
E-mail address	:	investor.relations@qnbfinansbank.com

The unconsolidated financial report for the six-month period then ended June 30, 2019, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

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

The accompanying unconsolidated financial statements and related disclosures and footnotes for the six-month period ended June 30, 2019, are prepared and independently limited reviewed in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances, and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying unconsolidated financial statements are presented in **thousands of Turkish Lira (TL)**.

Ömer A. Aras
Chairman of
the Board of Directors

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

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

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

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

Temel 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

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SECTION ONE

GENERAL INFORMATION

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

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

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

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

The Bank has decided to change the logo and the name of the company within the scope of the main shareholder change and brand strategies. The new logo and the company name of the Bank have 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 "FİNANS BANK A.Ş" to "QNB FİNANSBANK A.Ş" as of January 19, 2018.

99,88% of shares of QNB Finansbank A.Ş. are controlled by Qatar National Bank as of June 30, 2019 and remaining 0,12% of related shares are public shares.

50% of QNB shares, which is the first commercial bank of Qatar founded in 1964 and has been traded at Qatar Stock Exchange since 1997, are owned by Qatar Investment Authority while 50% of related shares are public shares. QNB is operating over 30 countries mainly in the 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 the Middle East and North Africa.

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

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

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	Phd
Sinan Şahinbaş	Deputy Chairman and Executive Member	April 16, 2010	Masters
Ali Teoman Kerman	Board Member and Chairman of the Audit Committee	April 16, 2013	Masters
Ramzi Talat A. Mari	Board Member and Audit Committee Member	June 16, 2016	Masters
Fatma Abdulla S.S. Al-Suwaidi	Board Member	June 16, 2016	Masters
Durmuş Ali Kuzu	Board Member and Audit Committee Member	August 25, 2016	Phd
Temel Güzeloğlu	Board Member and General Manager	April 16, 2010	Masters
Yousef Mahmoud H N Al-Neama(*)	Board Member	May 28, 2019	Graduate
Assoc. Prof. Dr. Osman Reha Yolalan	Board Member	June 16, 2016	Phd
Adel Ali M A Al-Malki(**)	Board Member	May 28, 2019	Graduate
Noor Mohd J. A. Al-Naimi	Board Member and Audit Committee Member	June 22, 2017	Graduate
Adnan Menderes Yayla	Executive Vice President	May 20, 2008	Masters
Murat Şakar	Executive Vice President	August 1, 2008	Graduate
Köksal Çoban	Executive Vice President	August 19, 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	October 8, 2010	Phd
Erkin Aydın	Executive Vice President	May 16, 2011	Masters
Ömür Tan	Executive Vice President	October 28, 2011	Masters
Halim Ersun Bilgici	Executive Vice President	March 15, 2013	Masters
Enis Kurtoğlu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Engin Turhan	Executive Vice President	June 14, 2016	Masters
Cumhur Türkmen	Executive Vice President	June 11, 2018	Graduate
Ahmet Erzengin	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters
Zeynep Aydın Demirkıran	Head of the Departmant of Risk Management	September 16, 2011	Masters

(*) Yousef Mahmoud H N Al-Neama was replaced by Abdulla Mubarak N. Alkhalifa who resigned with the Board of Directors decision dated 28.05.2019 and his assignment has been completed with the oath process on 14.06.2019.
(**) Adel Ali M A Al-Malki was replaced by Ali Rashid A. S. Al-Mohannadi who resigned with the Board of Directors decision dated 28.05.2019 and his assignment has been completed with the oath process on 25.06.2019.

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 June 30, 2019, the Bank operates through 541 domestic (December 31, 2018 – 540), 1 abroad (December 31, 2018 – 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2018 – 1) branches. As of June 30, 2019, the Bank has 12.350 employees (December 31, 2018 – 12.276 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 ve Hayat Anonim Şirketi, is consolidated using the 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 since they are nonfinancial investments according to the Regulation on Preparation of Consolidated Financial Statements of Banks. 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 the immediate transfer of shareholders' equity between the Bank and its subsidiaries and repayment of debts

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

I. BALANCE SHEET – ASSETS

			Reviewed 30.06.2019			Audited(*) 31.12.2018		
		Section 5 Part I	TL	FC	Total	TL	FC	Total
I.	**FINANCIAL ASSETS (NET)**		**16.138.421**	**28.752.783**	**44.891.204**	**18.368.532**	**22.467.555**	**40.836.087**
1.1	**Cash and Cash Equivalents**		**3.089.975**	**21.753.640**	**24.843.615**	**2.087.753**	**17.720.257**	**19.808.010**
1.1.1	Cash and Balances with Central Bank	(1)	3.097.141	20.282.778	23.379.919	1.822.717	16.688.725	18.511.442
1.1.2	Banks	(3)	475	1.470.862	1.471.337	200.553	1.031.532	1.232.085
1.1.3	Money Markets	(4)	-	-	-	102.070	-	102.070
1.1.4	Expected Credit Losses (-)		7.641	-	7.641	37.587	-	37.587
1.2	**Financial Assets at Fair Value Through Profit or Loss**	**(2)**	**61.664**	**134.758**	**196.422**	**25.639**	**112.843**	**138.482**
1.2.1	Government Debt Securities		39.834	8.195	48.029	18.319	2.811	21.130
1.2.2	Equity Securities		21.830	-	21.830	7.320	-	7.320
1.2.3	Other Financial Assets		-	126.563	126.563	-	110.032	110.032
1.3	**Financial Assets at Fair Value Through Other Comprehensive Income**	**(5)**	**4.103.039**	**5.869.256**	**9.972.295**	**4.545.637**	**3.898.418**	**8.444.055**
1.3.1	Government Debt Securities		4.095.365	5.682.687	9.778.052	4.540.725	3.763.899	8.304.624
1.3.2	Equity Securities		7.674	163.295	170.969	4.912	113.259	118.171
1.3.3	Other Financial Assets		-	23.274	23.274	-	21.260	21.260
1.4	**Derivative Financial Assets**	**(12)**	**8.883.743**	**995.129**	**9.878.872**	**11.709.503**	**736.037**	**12.445.540**
1.4.1	Derivative Financial Assets at Fair Value Through Profit/Loss		7.009.070	988.648	7.997.718	9.006.638	624.857	9.631.495
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1.874.673	6.481	1.881.154	2.702.865	111.180	2.814.045
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)**	**(7)**	**74.431.894**	**40.970.434**	**115.402.328**	**72.795.080**	**34.008.026**	**106.803.106**
2.1	**Loans**	**(6)**	**74.428.846**	**34.010.667**	**108.439.513**	**72.347.758**	**28.992.338**	**101.340.096**
2.2	**Lease Receivables**	**(11)**	-	-	-	-	-	-
2.3	**Factoring Receivables**		-	-	-	-	-	-
2.4	**Other Financial Assets Measured at Amortized Cost**		**8.519.902**	**6.959.767**	**15.479.669**	**7.916.505**	**5.015.688**	**12.932.193**
2.4.1	Public Sector Debt Securities		8.519.902	6.355.242	14.875.144	7.916.505	4.283.527	12.200.032
2.4.2	Other Financial Assets		-	604.525	604.525	-	732.161	732.161
2.5	**Expected Credit Losses (-)**		**8.516.854**	**-**	**8.516.854**	**7.469.183**	**-**	**7.469.183**
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	**(15)**	-	-	-	-	-	-
3.1	Held for Sale Purpose		-	-	-	-	-	-
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**EQUITY INVESTMENTS**		**1.035.132**	**-**	**1.035.132**	**1.298.703**	**-**	**1.298.703**
4.1	**Investments in Associates (Net)**	**(8)**	**5.982**	**-**	**5.982**	**5.982**	**-**	**5.982**
4.1.1	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		5.982	-	5.982	5.982	-	5.982
4.2	**Subsidiaries (Net)**	**(9)**	**877.677**	**-**	**877.677**	**1.141.248**	**-**	**1.141.248**
4.2.1	Unconsolidated Financial Subsidiaries		839.631	-	839.631	1.103.202	-	1.103.202
4.2.2	Unconsolidated Non-Financial Subsidiaries		38.046	-	38.046	38.046	-	38.046
4.3	**Joint Ventures (Net)**	**(10)**	**151.473**	**-**	**151.473**	**151.473**	**-**	**151.473**
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		151.473	-	151.473	151.473	-	151.473
V.	**PROPERTY AND EQUIPMENT (Net)**		**3.248.901**	**67**	**3.248.968**	**2.861.861**	**61**	**2.861.922**
VI.	**INTANGIBLE ASSETS (Net)**		**423.558**	**-**	**423.558**	**397.179**	**-**	**397.179**
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		423.558	-	423.558	397.179	-	397.179
VII.	**INVESTMENT PROPERTY (Net)**	**(13)**	-	-	-	-	-	-
VIII.	**CURRENT TAX ASSET**	**(14)**	**5.469**	**-**	**5.469**	**-**	**-**	**-**
IX.	**DEFERRED TAX ASSET**	**(14)**	**394.474**	**-**	**394.474**	**522.283**	**-**	**522.283**
X.	**OTHER ASSETS (Net)**	**(16)**	**2.161.266**	**3.640.912**	**5.802.178**	**2.496.325**	**2.200.130**	**4.696.455**
	TOTAL ASSETS		**97.839.115**	**73.364.196**	**171.203.311**	**98.739.963**	**58.675.772**	**157.415.735**

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

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

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

I. BALANCE SHEET – LIABILITIES AND EQUITY

			Reviewed 30.06.2019			Audited(*) 31.12.2018		
		Section 5 Part II	TL	FC	Total	TL	FC	Total
I.	**DEPOSITS**	**(1)**	**45.660.283**	**49.613.384**	**95.273.667**	**44.788.365**	**42.302.088**	**87.090.453**
II.	**FUNDS BORROWED**	**(3)**	**215.216**	**18.568.644**	**18.783.860**	**138.385**	**18.027.864**	**18.166.249**
III.	**MONEY MARKETS**	**(4)**	**1.807.686**	**7.353.842**	**9.161.528**	**92.273**	**4.622.546**	**4.714.819**
IV.	**SECURITIES ISSUED (Net)**	**(5)**	**3.934.257**	**7.026.751**	**10.961.008**	**2.206.779**	**6.697.676**	**8.904.455**
4.1	Bills		3.934.257	-	3.934.257	2.206.779	388.754	2.595.533
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	7.026.751	7.026.751	-	6.308.922	6.308.922
V.	**FUNDS**		-	-	-	-	-	-
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS**		-	-	-	-	-	-
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**3.913.361**	**1.447.738**	**5.361.099**	**5.610.140**	**728.265**	**6.338.405**
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2)	3.741.507	1.242.684	4.984.191	5.450.465	651.892	6.102.357
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	171.854	205.054	376.908	159.675	76.373	236.048
VIII.	**FACTORING PAYABLES**		-	-	-	-	-	-
IX.	**LEASE PAYABLES (Net)**	**(7)**	**362.464**	**27.280**	**389.744**	**18.629**	**5.994**	**24.623**
X.	**PROVISIONS**	**(9)**	**740.902**	**-**	**740.902**	**778.836**	**-**	**778.836**
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		394.414	-	394.414	426.856	-	426.856
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		346.488	-	346.488	351.980	-	351.980
XI.	**CURRENT TAX LIABILITY**		**152.532**	**-**	**152.532**	**149.662**	**-**	**149.662**
XII.	**DEFERRED TAX LIABILITY**	**(10)**	-	-	-	-	-	-
XIII.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	**(11)**	-	-	-	-	-	-
13.1	Held for Sale		-	-	-	-	-	-
13.2	Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**	**(12)**	**-**	**5.273.814**	**5.273.814**	**-**	**4.816.098**	**4.816.098**
14.1	Subordinated Loans		-	5.273.814	5.273.814	-	4.816.098	4.816.098
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	**OTHER LIABILITIES**		**4.447.463**	**5.680.260**	**10.127.723**	**5.144.319**	**6.715.767**	**11.860.086**
XVI.	**SHAREHOLDERS' EQUITY**		**15.912.982**	**(935.548)**	**14.977.434**	**15.057.492**	**(485.443)**	**14.572.049**
16.1	Paid-in Capital	(13)	3.350.000	-	3.350.000	3.350.000	-	3.350.000
16.2	Capital Reserves	(14)	714	-	714	714	-	714
16.2.1	Share Premium		714	-	714	714	-	714
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		-	-	-	-	-	-
16.3	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		435.902	85.546	521.448	700.576	44.291	744.867
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		269.659	(1.021.094)	(751.435)	429.168	(529.734)	(100.566)
16.5	Profit Reserves		10.577.034	-	10.577.034	8.167.205	-	8.167.205
16.5.1	Legal Reserves		670.000	-	670.000	584.870	-	584.870
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		9.907.034	-	9.907.034	7.582.335	-	7.582.335
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit/Loss		1.279.673	-	1.279.673	2.409.829	-	2.409.829
16.6.1	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Period's Net Profit/Loss		1.279.673	-	1.279.673	2.409.829	-	2.409.829
16.7	Minority Interest		-	-	-	-	-	-
	TOTAL LIABILITIES		**77.147.146**	**94.056.165**	**171.203.311**	**73.984.880**	**83.430.855**	**157.415.735**

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

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

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

			Reviewed 30.06.2019			Audited 31.12.2018		
		Section 5 Part III	TL	FC	Total	TL	FC	Total
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**120.755.187**	**183.423.634**	**304.178.821**	**130.113.215**	**179.084.169**	**309.197.384**
I.	**GUARANTEES**	**(1), (2), (3), (4)**	**10.247.675**	**16.015.374**	**26.263.049**	**8.744.817**	**14.944.429**	**23.689.246**
1.1.	Letters of guarantee		10.131.478	9.016.794	19.148.272	8.728.878	8.756.308	17.485.186
1.1.1.	Guarantees subject to State Tender Law		399.818	60.429	460.247	363.694	43.691	407.385
1.1.2.	Guarantees given for foreign trade operations		4.989.257	8.956.365	13.945.622	4.414.542	8.712.617	13.127.159
1.1.3.	Other letters of guarantee		4.742.403	-	4.742.403	3.950.642	-	3.950.642
1.2.	Bank loans		40.686	4.832.887	4.873.573	15.820	4.460.434	4.476.254
1.2.1.	Import letter of acceptance		40.686	4.832.887	4.873.573	15.820	4.460.434	4.476.254
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		75.511	2.165.693	2.241.204	119	1.727.687	1.727.806
1.3.1.	Documentary letters of credit		75.511	2.044.844	2.120.355	119	1.682.271	1.682.390
1.3.2.	Other letters of credit		-	120.849	120.849	-	45.416	45.416
1.4.	Prefinancing given as guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other endorsements		-	-	-	-	-	-
1.6.	Securities issue purchase guarantees		-	-	-	-	-	-
1.7.	Factoring guarantees		-	-	-	-	-	-
1.8.	Other guarantees		-	-	-	-	-	-
1.9.	Other collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**		**71.998.930**	**3.940.725**	**75.939.655**	**63.658.753**	**3.916.979**	**67.575.732**
2.1.	Irrevocable commitments	(1)	42.557.372	3.940.725	46.498.097	36.609.777	2.238.221	38.847.998
2.1.1.	Forward asset purchase commitments		1.748.360	3.028.581	4.776.941	427.989	1.777.120	2.205.109
2.1.2.	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4.	Loan granting commitments		12.357.436	577	12.358.013	10.851.659	526	10.852.185
2.1.5.	Securities underwriting commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Payment commitment for checks		2.607.054	-	2.607.054	2.181.264	-	2.181.264
2.1.8.	Tax and fund liabilities from export commitments		32.004	-	32.004	28.728	-	28.728
2.1.9.	Commitments for credit card expenditure limits		25.053.924	-	25.053.924	22.362.300	-	22.362.300
2.1.10.	Commitments for promotions related with credit cards and banking activities		28.284	-	28.284	29.958	-	29.958
2.1.11.	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		730.310	911.567	1.641.877	727.879	460.575	1.188.454
2.2.	Revocable commitments		29.441.558	-	29.441.558	27.048.976	1.678.758	28.727.734
2.2.1.	Revocable loan granting commitments		29.441.558	-	29.441.558	27.048.976	1.678.758	28.727.734
2.2.2.	Other revocable commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(5), (6)**	**38.508.582**	**163.467.535**	**201.976.117**	**57.709.645**	**160.222.761**	**217.932.406**
3.1	Derivative financial instruments for hedging purposes		15.144.545	46.950.408	62.094.953	17.909.998	48.962.094	66.872.092
3.1.1	Fair value hedge		6.277.870	25.226.964	31.504.834	6.922.598	19.690.796	26.613.394
3.1.2	Cash flow hedge		8.866.675	21.723.444	30.590.119	10.987.400	29.271.298	40.258.698
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		23.364.037	116.517.127	139.881.164	39.799.647	111.260.667	151.060.314
3.2.1	Forward foreign currency buy/sell transactions		2.505.374	4.560.659	7.066.033	2.517.071	4.581.723	7.098.794
3.2.1.1	Forward foreign currency transactions-buy		1.953.002	1.582.892	3.535.894	1.335.604	2.193.969	3.529.573
3.2.1.2	Forward foreign currency transactions-sell		552.372	2.977.767	3.530.139	1.181.467	2.387.754	3.569.221
3.2.2	Swap transactions related to foreign currency and interest rates		17.808.151	106.894.770	124.702.921	31.777.537	98.803.053	130.580.590
3.2.2.1	Foreign currency swap-buy		6.330.211	29.839.787	36.169.998	13.635.615	30.588.966	44.224.581
3.2.2.2	Foreign currency swap-sell		11.477.940	25.055.447	36.533.387	16.501.922	28.203.433	44.705.355
3.2.2.3	Interest rate swaps-buy		-	25.999.768	25.999.768	820.000	20.005.327	20.825.327
3.2.2.4	Interest rate swaps-sell		-	25.999.768	25.999.768	820.000	20.005.327	20.825.327
3.2.3	Foreign currency, interest rate and securities options		2.996.003	3.819.391	6.815.394	5.505.039	6.823.437	12.328.476
3.2.3.1	Foreign currency options-buy		1.124.266	2.273.067	3.397.333	2.341.029	3.789.135	6.130.164
3.2.3.2	Foreign currency options-sell		1.871.737	1.546.324	3.418.061	3.164.010	3.034.302	6.198.312
3.2.3.3	Interest rate options-buy		-	-	-	-	-	-
3.2.3.4	Interest rate options-sell		-	-	-	-	-	-
3.2.3.5	Securities options-buy		-	-	-	-	-	-
3.2.3.6	Securities options-sell		-	-	-	-	-	-
3.2.4	Foreign currency futures		54.509	117.839	172.348	-	237.014	237.014
3.2.4.1	Foreign currency futures-buy		41.366	46.016	87.382	-	118.507	118.507
3.2.4.2	Foreign currency futures-sell		13.143	71.823	84.966	-	118.507	118.507
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-	-	-	-
3.2.6	Other		-	1.124.468	1.124.468	-	815.440	815.440
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**702.778.303**	**185.087.724**	**887.866.027**	**676.251.681**	**163.091.542**	**839.343.223**
IV.	**ITEMS HELD IN CUSTODY**		**13.604.534**	**4.717.012**	**18.321.546**	**7.801.964**	**4.150.268**	**11.952.232**
4.1.	Assets under management		4.438.862	-	4.438.862	2.048.156	-	2.048.156
4.2.	Investment securities held in custody		2.865.910	3.164.091	6.030.001	470.673	2.863.101	3.333.774
4.3.	Checks received for collection		4.653.109	772.904	5.426.013	3.804.427	573.547	4.377.974
4.4.	Commercial notes received for collection		1.646.653	333.262	1.979.915	1.478.708	304.711	1.783.419
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		-	446.755	446.755	-	408.909	408.909
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**413.808.175**	**111.248.679**	**525.056.854**	**406.918.248**	**96.312.753**	**503.231.001**
5.1.	Marketable securities		3.466.143	8.779.858	12.246.001	2.937.079	8.044.413	10.981.492
5.2.	Guarantee notes		422.562	144.802	567.364	442.693	131.866	574.559
5.3.	Commodity		84.975	-	84.975	66.090	-	66.090
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		96.892.075	57.966.580	154.858.655	90.756.028	53.481.420	144.237.448
5.6.	Other pledged items		312.942.420	44.357.439	357.299.859	312.716.358	34.655.054	347.371.412
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**275.365.594**	**69.122.033**	**344.487.627**	**261.531.469**	**62.628.521**	**324.159.990**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**823.533.490**	**368.511.358**	**1.192.044.848**	**806.364.896**	**342.175.711**	**1.148.540.607**

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

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

III. STATEMENT OF PROFIT OR LOSS

		Section 5 Part IV	Reviewed 01.01-30.06.2019	Reviewed 01.04-30.06.2019	Reviewed 01.01-30.06.2018(*)	Reviewed 01.04-30.06.2018
I.	**INTEREST INCOME**	**(1)**	**9.365.605**	**4.780.944**	**6.782.754**	**3.568.966**
1.1	Interest income on loans		7.740.871	3.971.728	5.805.192	3.056.418
1.2	Interest income on reserve deposits		130.369	71.591	85.660	46.088
1.3	Interest income on banks		104.557	57.432	121.196	59.788
1.4	Interest income on money market transactions		36.432	35.207	28.553	8.802
1.5	Interest income on securities portfolio		1.339.634	637.273	738.226	396.564
1.5.1	Financial assets measured at FVTPL		3.265	2.529	1.229	601
1.5.2	Financial assets measured at FVOCI		547.347	270.208	343.306	175.486
1.5.3	Financial assets measured at amortized cost		789.022	364.536	393.691	220.477
1.6	Financial lease income		-	-	-	-
1.7	Other interest income		13.742	7.713	3.927	1.306
II.	**INTEREST EXPENSE (-)**	**(2)**	**6.023.760**	**3.121.755**	**3.410.672**	**1.811.563**
2.1	Interest on deposits		4.513.950	2.253.134	2.438.047	1.299.639
2.2	Interest on funds borrowed		607.082	334.354	431.368	247.134
2.3	Interest on money market transactions		200.163	141.711	149.823	68.114
2.4	Interest on securities issued		661.697	374.029	385.218	195.002
2.5	Interests on leasings		36.449	18.263	240	124
2.6	Other interest expenses		4.419	264	5.976	1.550
III.	**NET INTEREST INCOME (I - II)**		**3.341.845**	**1.659.189**	**3.372.082**	**1.757.403**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**1.289.373**	**658.049**	**970.377**	**496.858**
4.1	Fees and commissions received		1.615.130	825.509	1.191.585	613.880
4.1.1	Non-cash loans		81.181	42.447	50.419	26.010
4.1.2	Others		1.533.949	783.062	1.141.166	587.870
4.2	Fees and commissions paid (-)		325.757	167.460	221.208	117.022
4.2.1	Non-cash loans		716	327	561	226
4.2.2	Others		325.041	167.133	220.647	116.796
V.	**DIVIDEND INCOME**	**(3)**	**51.187**	**1.871**	**50.233**	**27.897**
VI	**NET TRADING INCOME/LOSS (Net)**	**(4)**	**(366.600)**	**(200.775)**	**(792.769)**	**(386.779)**
6.1	Trading account gain/losses		12.595	9.909	8.973	3.573
6.2	Gain/losses from derivative transactions		(218.148)	(109.323)	(75.232)	218.284
6.3	Foreign exchange gain/losses		(161.047)	(101.361)	(726.510)	(608.636)
VII.	**OTHER OPERATING INCOME**	**(5)**	**20.423**	**11.330**	**29.643**	**15.838**
VIII.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)**		**4.336.228**	**2.129.664**	**3.629.566**	**1.911.217**
IX.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**1.025.136**	**492.533**	**553.784**	**286.859**
X.	**OTHER PROVISION LOSSES (-)**		**12.139**	**2.100**	**82.631**	**65.349**
XI.	**PERSONNEL EXPENSES (-)**		**833.681**	**435.708**	**677.587**	**350.194**
XII.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**1.007.827**	**522.942**	**882.522**	**444.744**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**1.457.445**	**676.381**	**1.433.042**	**764.071**
XIV.	**INCOME RESULTED FROM MERGERS**		-	-	-	-
XV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		-	-	-	-
XVI.	**GAIN/LOSS ON NET MONETARY POSITION**		-	-	-	-
XVII.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+…+XV)**	**(8)**	**1.457.445**	**676.381**	**1.433.042**	**764.071**
XVIII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	**(9)**	**(177.772)**	**(28.051)**	**(300.006)**	**(159.753)**
18.1	Current tax charge		140.943	140.943	(382.239)	(338.037)
18.2	Deferred tax charge (+)		346.673	(252.563)	445.288	354.611
18.3	Deferred tax credit (-)		(665.388)	83.569	(363.055)	(176.327)
XIX.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)**	**(10)**	**1.279.673**	**648.330**	**1.133.036**	**604.318**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-	-	-
20.1	Income from assets held for sale		-	-	-	-
20.2	Income from sale of associates, subsidiaries and joint-ventures		-	-	-	-
20.3	Others		-	-	-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-	-	-
21.1	Expenses on assets held for sale		-	-	-	-
21.2	Expenses on sale of associates, subsidiaries and joint-ventures		-	-	-	-
21.3	Others		-	-	-	-
XXII.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)**		-	-	-	-
XXIII.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**		-	-	-	-
23.1	Current tax charge		-	-	-	-
23.2	Deferred tax charge (+)		-	-	-	-
23.3	Deferred tax credit (-)		-	-	-	-
XXIV.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)**		-	-	-	-
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**	**(11)**	**1.279.673**	**648.330**	**1.133.036**	**604.318**
25.1	Group’s profit/loss		1.279.673	648.330	1.133.036	604.318
25.2	Minority interest		-	-	-	-
	Earnings Per Share		0,0382	0,0194	0,0338	0,0180

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

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

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

IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

		Reviewed 01.01 – 30.06.2019	**Reviewed 01.01 – 30.06.2018**
I.	**CURRENT PERIOD PROFIT/LOSS**	**1.279.673**	**1.133.036**
II.	**OTHER COMPREHENSIVE INCOME**	**(874.288)**	**168.104**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**(223.419)**	**94.292**
2.1.1	Revaluation Surplus on Tangible Assets	-	-
2.1.2	Revaluation Surplus on Intangible Assets	-	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(1.414)	1.445
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	(219.914)	94.190
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(2.091)	(1.343)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**(650.869)**	**73.812**
2.2.1	Translation Differences	-	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(194.537)	(433.410)
2.2.3	Gains/losses from Cash Flow Hedges	(649.329)	529.732
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	192.997	(22.510)
III.	**TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (I±II)**	**405.385**	**1.301.140**

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
	Reviewed	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others(*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Equity
	Prior Period - 01.01 – 30.06.2018															
I.	**Balances at Beginning of Period**		**3.350.000**	**714**	**-**	**-**	**-**	**(65.980)**	**412.984**	**-**	**(251.126)**	**231.892**	**6.873.477**	**1.603.441**	**-**	**12.155.402**
II.	**Correction made as per TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**88.513**	**-**	**-**	**(209.713)**	**-**	**(121.200)**
2.1	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	88.513	-	-	(209.713)	-	(121.200)
III.	**Adjusted Balances at Beginning of Period (I+II)**		**3.350.000**	**714**	**-**	**-**	**-**	**(65.980)**	**412.984**	**-**	**(162.613)**	**231.892**	**6.873.477**	**1.393.728**	**-**	**12.034.202**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**1.127**	**93.165**	**-**	**(342.234)**	**416.046**	**-**	**-**	**1.133.036**	**1.301.140**
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	**1.293.728**	**(1.393.728)**	-	**(100.000)**
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	(100.000)	-	(100.000)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	1.293.728	(1.293.728)	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV…+X+XI)		**3.350.000**	**714**	**-**	**-**	**-**	**(64.853)**	**506.149**	**-**	**(504.847)**	**647.938**	**8.167.205**	**-**	**1.133.036**	**13.235.342**

							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
	Reviewed	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others(*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Equity
	Current Period - 01.01 – 30.06.2019															
I.	**Balances at Beginning of Period**		**3.350.000**	**714**	**-**	**-**	**-**	**(50.842)**	**795.709**	**-**	**(497.625)**	**397.059**	**8.167.205**	**2.409.829**	**-**	**14.572.049**
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 Period (I+II)**		**3.350.000**	**714**	**-**	**-**	**-**	**(50.842)**	**795.709**	**-**	**(497.625)**	**397.059**	**8.167.205**	**2.409.829**	**-**	**14.572.049**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**(1.102)**	**(222.317)**	**-**	**(143.695)**	**(507.174)**	**-**	**-**	**1.279.673**	**405.385**
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	**2.409.829**	**(2.409.829)**	-	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	2.409.829	(2.409.829)	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV…+X+XI)		**3.350.000**	**714**	**-**	**-**	**-**	**(51.944)**	**573.392**	**-**	**(641.320)**	**(110.115)**	**10.577.034**	**-**	**1.279.673**	**14.977.434**

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

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

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

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

VI. STATEMENT OF CASH FLOWS

		Section 5 Part VI	Reviewed 01.01 – 30.06.2019	Reviewed 01.01 – 30.06.2018
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**		**11.806.107**	**4.268.899**
1.1.1	Interest received		8.423.979	5.692.780
1.1.2	Interest paid		(6.821.003)	(52.990)
1.1.3	Dividend received		51.187	50.233
1.1.4	Fees and commissions received		1.616.571	1.192.767
1.1.5	Other income		20.423	29.643
1.1.6	Collections from previously written off loans		579.729	654.956
1.1.7	Payments to personnel and service suppliers		(587.855)	(1.249.367)
1.1.8	Taxes paid		486.189	(411.311)
1.1.9	Others		8.036.887	(1.637.812)
1.2	**Changes in operating assets and liabilities**		**(7.022.800)**	**(1.409.297)**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss		(57.952)	7.650
1.2.2	Net (increase) decrease in due from banks		(2.118.739)	(2.138.312)
1.2.3	Net (increase) decrease in loans		(106.935)	(4.344.812)
1.2.4	Net (increase) decrease in other assets		(120.990)	(1.151.180)
1.2.5	Net increase (decrease) in bank deposits		(44.257)	2.250.983
1.2.6	Net increase (decrease) in other deposits		(703.179)	137.944
1.2.7	Net (increase) decrease in financial liabilities measured at fair value through profit/loss		-	-
1.2.8	Net increase (decrease) in funds borrowed		(4.286.000)	27.649
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities		415.252	3.800.781
I.	**Net cash provided from / (used in) banking operations**		**4.783.307**	**2.859.602**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from / (used in) investing activities**		**(2.889.823)**	**(1.432.986)**
2.1	Purchase of entities under common control, associates and subsidiaries		-	(35.000)
2.2	Sale of entities under common control, associates and subsidiaries		-	-
2.3	Fixed assets purchases		(153.375)	242.195
2.4	Fixed assets sales		185	(300.461)
2.5	Purchase of financial assets measured at fair value through other comprehensive income		(3.053.628)	(1.841.568)
2.6	Sale of financial assets measured at fair value through other comprehensive income		1.956.277	1.118.750
2.7	Purchase of financial assets measured at amortized cost		(2.801.811)	(988.738)
2.8	Sale of financial assets measured at amortized cost		1.250.928	442.242
2.9	Others		(88.399)	(70.406)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from / (used in) financing activities**		**1.108.370**	**(148.428)**
3.1	Cash obtained from funds borrowed and securities issued		3.535.536	3.093.647
3.2	Cash used for repayment of funds borrowed and securities issued		(2.293.410)	(3.141.794)
3.3	Capital increase		-	-
3.4	Dividends paid		-	(100.000)
3.5	Payments for finance leases		(133.756)	(281)
3.6	Other		-	-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**(103.949)**	**136.901**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**2.897.905**	**1.415.089**
VI.	**Cash and cash equivalents at beginning of the period**		**8.767.065**	**5.952.798**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**11.664.970**	**7.367.887**

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and and in case where a specific regulation is not made by BRSA and Turkish Accounting Standards published by the Public Oversight Accounting for the format and detail of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué dated February 1, 2019 which include Turkish Accounting Standard principles.

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

Explanation for Convenience Translation to English

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

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

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"),and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2018 except for the application of TFRS 9.

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

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

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

2.1. Changes in Accounting policies and disclosures

2.1.1. Major new and amended standards and interpretations

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

2.1.2. The standards which are effective as of 1 January 2019

TFRS 16 Leases

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The Bank has started to apply TFRS 16 Leases Standard starting from January 1, 2019.

As of June 30, 2019, The Bank recognized the right of use asset classified under tangible assets, lease liability, financing expense and depreciation expense amounting to TL 400.582, TL 368.794, TL 33.014 and TL 106.611 due to applying TFRS 16 Leasings.

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

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

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

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

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

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 June 30, 2019 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Bank’s foreign currency exchange rates for the related period ends are as follows:

	June 30, 2019	December 31, 2018
US Dollar	TL 5,7665	TL 5,2609
Euro	TL 6,5571	TL 6,0280

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

The foreign currency position of the Bank and the profit / loss from the foreign exchange transactions realized are included in the income statement of foreign exchange gains / losses and income/losses from derivative financial instruments in the income statement. While gain / loss from spot foreign exchange transactions are included in the profit / loss item of foreign exchange gain/loss on balance sheet, profit / loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income / loss statement of derivative financial instruments. Therefore, in order to determine the net profit / loss effects of foreign exchange transactions, two balances should be assessed together. As of June 30, 2019, net foreign exchange transaction income is TL 186.768 (June 30, 2018 TL 88.021 net foreign exchange transaction gain) when the net interest expense amounting to TL 565.963 (June 30, 2018- TL 889.763) arising from derivative transactions is excluded from the derivative transactions loss amounting to TL 218.148 (June 30, 2018- TL 75.232 derivative transactions loss) and foreign exchange loss amounting to TL 161.047 (June 30, 2018- TL 726.510 net foreign exchange loss).

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

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

IV. Explanations on Derivative Financial Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

<u>In cash flow hedge accounting:</u>

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

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

<u>In fair value hedge accounting:</u>

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

The Bank applies fair value hedge accounting using interest rate swap transactions to hedge long term, fixed rate, foreign currency Eurobonds in financial assets which is classified as fair value through Other Comprehensive Income portfolio against interest rate fluctuations.

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

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

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

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

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

As of September 30, 2018, the Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market. Fair value exchange difference adjustment amounting to TL 1.239.537 which is shown intangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

V. Explanations on Interest Income and Expenses

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

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

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

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

Classification of financial instruments

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

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

Assessment of business model

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

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

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

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

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

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

Other business models:

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

Measurement categories of financial assets and liabilities

Financial assets are classified in three main categories as listed below in accordance with TFRS 9:

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

Financial assets at the fair value through profit or loss:

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

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

Financial Assets at Fair Value Through Other Comprehensive Income:

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

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

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

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

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

Financial Assets Measured at Amortized Cost:

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

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

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

VIII. Explanations on Expected Credit Losses

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

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

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. As of June 30, 2019, minimum probability of default rate of Basel II is used in the expected credit loss calculation of receivables from public institutions and organizations. Such calculation is performed for each of three scenarios explained above.

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

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

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

Calculation of expected credit losses

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

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

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

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

Probability of Default (PD)

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

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

Loss Given Default (LGD)

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

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

Exposure at Default (EAD)

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

Consideration of the Macroeconomic Factors

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

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

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

Calculating the Expected Loss Period

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

Significant increase in credit risk

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

The Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:
- Loans overdue more than 30 days as of the reporting date
- Loans classified as watch-list
- When there is a change in the payment plan due to restructuring

IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of Financial Instruments

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

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

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

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

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

c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

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

e) Restructuring and refinancing of financial instruments

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

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

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

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

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

- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from nonperforming loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring /refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing.

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

- Recovery in debt service.

- At least 1 year should pass over the date of restructuring.

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

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

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

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

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

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

Funds 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 11.720.960 (December 31, 2018– TL 6.488.226).

As of June 30, 2019 the Bank has no securities that are subject to lending transactions (December 31, 2018 – None).

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

XII. Explanations on Assets Held for Sale and Discontinued Operations

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

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

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

XIII. Explanations on Goodwill and Other Intangible Assets

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

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

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

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

XIV. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

XV. Explanations on Leasing Transactions

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

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

The Bank has no leasing transactions as lessor.

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 Bank Concerning Employee Benefits

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

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

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

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

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

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

XVIII.Explanations on Taxation

1. Corporate Tax

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

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

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

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

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

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

2. Deferred Taxes

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

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

The bank, deferred tax calculation has started to be measured over Stage 1 and Stage 2 expected credit loss provisions accorded.

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

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of June 30, 2019 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

3. Transfer Pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing. "The General 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. 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.

XX. Explanations on Share Issues

The Bank's paid in capital has not been changed for the current period. The Bank's paid in capital has not been changed for the prior period.

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 June 30, 2019 the Bank does not have any government incentives or grants (As of December 31, 2018 – None).

XXIII. Explanations on Segment Reporting

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

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

Corporate and Commercial Banking serves corporate qualified companies with annual turnover of TL 300.000 and above, multinational companies operating in Turkey and commercial firms with annual turnover of TL 50.000 – 300.000. In addition to the financing and investment needs of customers, it offers products that facilitate payment and collection processes in both domestic and foreign trade. With its customer-focused service approach, firm-specific solution approach and long-term partnership building strategy, it produces solutions that will create added value for all customer needs.

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

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 – June 30, 2019)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Bank**
Net Interest Income	1.165.738	1.414.997	761.110	3.341.845
Net Fees and Commissions Income	974.944	333.834	(19.405)	1.289.373
Other Operating Income and Net Trading Expense	19.854	4.877	(370.908)	(346.177)
Dividend Income	-	-	51.187	51.187
Operating Income	**2.160.536**	**1.753.708**	**421.984**	**4.336.228**
Provision for Expected Credit Losses (-)	493.215	668.323	(136.402)	1.025.136
Other Provision Expenses (-)			12.139	12.139
Personnel Expense (-)	196.161	231.506	406.014	833.681
Other Operating Expenses (-)	858.742	454.621	(305.536)	1.007.827
Profit Before Taxes	**612.418**	**399.258**	**445.769**	**1.457.445**
Provision Tax (-)	**-**	**-**	**(177.772)**	**(177.772)**
Net Profit/Loss	**-**	**-**	**-**	**1.279.673**
Total Assets	**34.672.681**	**65.263.516**	**58.357.777**	**171.203.311**
Segment Assets	34.672.681	65.263.516	58.357.777	158.293.974
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	1.035.132
Undistributed Assets	-	-	-	11.874.205
Total Liabilities	**61.785.406**	**29.909.295**	**53.120.274**	**171.203.311**
Segment Liabilities	61.785.406	29.909.295	53.120.274	144.814.975
Undistributed Liabilities	-	-	-	11.410.902
Equity	-	-	-	14.977.434
Other Segment Accounts	**249.376**	**132.020**	**(88.656)**	**292.740**
Capital Expenditures	42.828	22.673	(15.238)	50.263
Depreciation and Amortization	206.548	109.347	(73.418)	242.477

Prior Period (January 1 – June 30, 2018)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Bank**
Net Interest Income	1.082.592	1.172.548	1.116.942	3.372.082
Net Fees and Commissions Income	680.358	307.038	(17.019)	970.377
Other Operating Income and Net Trading Expense	19.383	8.430	(790.939)	(763.126)
Dividend Income	-	-	50.233	50.233
Operating Income	**1.782.333**	**1.488.016**	**359.217**	**3.629.566**
Provision for Expected Credit Losses (-)	175.200	394.193	(15.609)	553.784
Other Provision Expenses (-)	-	-	82.631	82.631
Personnel Expense (-)	156.043	195.546	325.998	677.587
Other Operating Expenses (-)	713.891	373.325	(204.694)	882.522
Profit Before Taxes	**737.199**	**524.952**	**170.891**	**1.433.042**
Provision Tax (-)	**-**	**-**	**(300.006)**	**(300.006)**
Net Profit/Loss	**-**	**-**	**-**	**1.133.036**
Total Assets	**33.403.626**	**60.614.395**	**51.913.752**	**157.415.735**
Segment Assets	33.403.626	60.614.395	51.913.752	145.931.773
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	1.298.703
Undistributed Assets	-	-	-	10.185.259
Total Liabilities	**56.362.699**	**27.049.207**	**46.618.573**	**157.415.735**
Segment Liabilities	56.362.699	27.049.207	46.618.573	130.030.479
Undistributed Liabilities	-	-	-	12.813.207
Equity	-	-	-	14.572.049
Other Segment Accounts	**78.862**	**33.703**	**109.751**	**222.316**
Capital Expenditures	35.333	15.100	46.576	97.009
Depreciation and Amortization	43.529	18.603	63.175	125.307

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

XXIV. Explanations on Profit Reserves and Profit Distribution

The Ordinary General Assembly Meeting of the Bank was held on March 28, 2019. In the Ordinary General Assembly, it was decided to net income from 2018 operations to the Bank's shareholders.

2018 profit distribution table:

Current Year Profit	**2.409.829**
A – I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(85.130)
C – Extraordinary Reserves	(2.324.699)

XXV. Earnings Per Share

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

	Current Period	**Prior Period**
Net Profit for the Period	1.279.673	1.133.036
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
Earnings Per Share	**0,0382**	**0,0338**

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

Amount of issued bonus shared in 2019 is none. (Amount of issued bonus shared in 2018 is none).

XXVI. Explanations on Other Matters

1. Changes related to prior period accounting policies

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

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

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

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

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

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

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

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

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

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

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

4. Effects on equity with TFRS 9 transition

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

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

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

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

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

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 June 30, 2019 Bank's total capital has been calculated as TL 21.807.108 (December 31, 2018 – TL 18.864.272), capital adequacy ratio is 15,59%. (December 31, 2018 – 15,42%). This ratio is well above the minimum ratio required by the legislation.

Components of unconsolidated shareholders' equity items:

	Current Period June 30, 2019	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	10.577.034	
Gains recognized in equity as per TAS	596.887	
Profit	1.279.673	
Current Period Profit	1.279.673	
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	**15.806.997**	
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	719.451	
Improvement costs for operating leasing	68.493	
Goodwill (net of related tax liability)	387.065	387.065
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital		
Total Deductions From Common Equity Tier 1 Capital	**1.175.009**	
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	390.936	
Total Common Equity Tier 1 Capital	**15.022.924**	

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

	Current Period June 30, 2019	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	3.027.413	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	**3.027.413**	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	**-**	
Total Additional Tier I Capital	**3.027.413**	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**18.050.337**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	2.220.103	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.554.747	
Tier II Capital Before Deductions	**3.774.850**	
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	**3.774.850**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**21.825.187**	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	6.987	
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 (-)	11.092	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking,financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity,mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	

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

	Current Period June 30, 2019	1/1/2014 Amounts related to previous application
TOTAL CAPITAL		
Total Capital	21.807.108	
Total risk weighted amounts	139.874.927	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	10,74%	
Tier 1 Capital Adequacy Ratio (%)	12,91%	
Capital Adequacy Ratio (%)	15,59%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	2,51%	
a) Capital conservation buffer requirement	2,50%	
b) Bank specific counter-cyclical buffer requirement	0,01%	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	4,74%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	151.473	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3.085.848	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.554.747	
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	2.220.103	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

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

Information on Equity Accounts:

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

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

	Prior Period December 31, 2018	1/1/2014 Amounts related to previous application(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	**-**	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	**-**	
Total Additional Tier I Capital	**-**	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**14.257.399**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	3.308.715	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.381.696	
Tier II Capital Before Deductions	**4.690.411**	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank’s Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	**-**	
Total Tier II Capital	**4.690.411**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**18.947.810**	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.890	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	70.648	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank 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, 2018	1/1/2014 Amounts related to previous application (*)
TOTAL CAPITAL		
Total Capital	18.864.272	
Total risk weighted amounts	122.314.929	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	11,66%	
Tier 1 Capital Adequacy Ratio (%)	11,66%	
Capital Adequacy Ratio (%)	15,42%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	1,88%	
a) Capital conservation buffer requirement (%)	1,88%	
b) Bank specific counter-cyclical buffer requirement (%)	0,01%	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	5,65%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	151.473	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2.853.495	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.381.696	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	3.308.715	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.478.704	

(*) 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:

Information on debt instruments included in the calculation of equity:			
	1	**2**	**3**
Issuer	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
Regulatory treatment	Additional Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No	No
Eligible at stand-alone / consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	3.027	721	1.441
Par value of instrument (Currency in million)	3.027	721	1.441
Accounting classification	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost
Original date of issuance	June 30, 2019	April 01, 2019	May 22, 2017
Perpetual or dated	Undated	Dated	Dated
Original maturity date	-	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Every 5 years	5 years	5 years
Subsequent call dates, if applicable	-	-	-
Coupons / dividends	-	-	-
Fixed or floating dividend/coupon	Fixed	Floating	Floating
Coupon rate and any related index	First 5 years fixed at 9,50%, next 5 years fixed at MS + 7,08	6M LIBOR + 5,75%	6M LIBOR + 3,87%
Existence of a dividend stopper	There will be no interest on the deducted value after the impairment	-	-
Fully discretionary, partially discretionary or mandatory	Optional	-	-

	1	2	3
Existence of step up or other incentive to redeem	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	Yes	Yes
If convertible, conversion trigger (s)	-	Article number 7-2-i of “Own fund regulation”	Article number 7-2-i of “Own fund regulation”
If convertible, fully or partially	-	All of the remaining capital	All of the remaining capital
If convertible, conversion rate	-	(*)	(*)
If convertible, mandatory or optional conversion	-	Optional	Optional
If convertible, specify instrument type convertible into	-	Equity Share	Equity Share
If convertible, specify issuer of instrument it converts into	-	QNB Finansbank A.Ş.	QNB Finansbank A.Ş.
Write-down feature	Yes	None	None
If write-down, write-down trigger(s)	Non-existence of the core capital ratio is less than 5,125%	-	-
If write-down, full or partial	Full and partial	-	-
If write-down, permanent or temporary	Temporary	-	-
If temporary write-down, description of write-up mechanism	Disappearance of non-existence and higher core capital ratio than 5,125 %	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After borrowing and contribution capital	After borrowing, before additional capital, the same as other contribution capital	After borrowing, before additional capital, the same as other contribution capital
Incompliance with article number 7 and 8 of “Own fund regulation”	Article number 7&8 of “Own fund regulation”	Article number 7&8 of “Own fund regulation”	Article number 7&8 of “Own fund regulation”
Details of incompliances with 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.

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

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

EQUITY ITEMS	**T**	**T-1**	**T-2**	**T-3**
Common Equity	15.022.924	14.892.612	14.762.300	14.631.988
Transition process not implemented Common Equity	14.631.988	14.631.988	14.631.988	14.631.988
Tier 1 Capital	18.050.337	17.920.025	17.789.713	17.659.401
Transition process not implemented Tier 1 Capital	17.659.401	17.659.401	17.659.401	17.659.401
Total Capital	21.807.108	21.676.796	21.546.484	21.416.172
Transition process not implemented Equity	21.416.172	21.416.172	21.416.172	21.416.172
TOTAL RISK WEIGHTED AMOUNTS				
Total Risk Weighted Amounts	139.874.927	139.874.927	139.874.927	139.874.927
CAPITAL ADEQUACY RATIO				
Common Equity Adequacy Ratio (%)	10,74	10,65	10,55	10,46
Transition process not implemented Common Equity Ratio (%)	10,46	10,46	10,46	10,46
Tier 1 Capital Adequacy Ratio (%)	12,91	12,81	12,72	12,63
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	12,63	12,63	12,63	12,63
Capital Adequacy Ratio (%)	15,59	15,50	15,40	15,31
Transition process not implemented Capital Adequacy Ratio (%)	15,31	15,31	15,31	15,31
LEVERAGE				
Leverage Ratio Total Risk Amount	251.295.750	251.295.750	251.295.750	251.295.750
Leverage (%)	6,24	6,24	6,24	6,24
Transition process not implemented Leverage Ratio (%)	7,03	7,03	7,03	7,03

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

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

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

II. Explanations On Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about RWA flow statements of credit risk exposures under IRB Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of March 31, 2016. According to Communiqué have to be presented on three-month basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of June 30, 2019:

- Credit risk exposures by portfolio and PD range
- Effect on RWA of credit derivatives used as CRM techniques
- IRB (specialized lending and equities under the simple risk-weight method)
- IMA values for trading portfolios
- Comparison of VaR estimates with gains/losses

1) GB1 – Overview of Risk Weighted Assets:

		Risk Weighted Amount		Minimum Capital Requirement	
		30.06.2019	**31.12.2018**	**30.06.2019**	**31.12.2018**
1	Credit Risk (excluding counterparty Credit Risk)	119.710.876	106.848.199	9.576.870	8.547.856
2	Standardized approach	119.710.876	106.848.199	9.576.870	8.547.856
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	4.668.875	3.687.514	373.510	295.001
5	Standardized approach for counterparty credit Risk	4.668.875	3.687.514	373.510	295.001
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	3.059.350	1.778.238	244.748	142.259
17	Standardized approach	3.059.350	1.778.238	244.748	142.259
18	Internal model approaches	-	-	-	-
19	Operational Risk	12.435.825	10.000.978	994.866	800.078
20	Basic Indicator Approach	12.435.825	10.000.978	994.866	800.078
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)**	**139.874.926**	**122.314.929**	**11.189.994**	**9.785.194**

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

2) Credit Risk Disclosures

a) CR1 – Credit Quality of Assets:

	Current Period	Gross carrying values of (according to TAS)			
		Defaulted exposures	Non-defaulted exposures	Allowances / impairments	Net values
1	Loans	6.990.418	101.449.094	5.417.467	103.022.045
2	Debt Securities	-	25.280.995	13.539	25.267.456
3	Off-balance sheet exposures	-	67.984.205	50.521	67.933.684
4	**Total**	**6.990.418**	**194.714.294**	**5.481.527**	**196.223.185**

	Prior Period	Gross carrying values of (according to TAS)			
		Defaulted exposures	Non-defaulted exposures	Allowances / impairments	Net values
1	Loans	6.155.252	95.294.876	4.746.136	96.703.992
2	Debt Securities	-	21.258.077	37.077	21.221.000
3	Off-balance sheet exposures	-	60.332.135	50.116	60.282.019
4	**Total**	**6.155.252**	**176.885.088**	**4.833.329**	**178.207.011**

b) 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	6.155.252	4.330.104
2	Loans and debt securities that have defaulted since the last reporting period	1.414.994	3.355.909
3	Returned to non-defaulted status	-	-
4	Amounts written off	822	110.214
5	Other changes (*)	579.006	1.420.547
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**6.990.418**	**6.155.252**

(*) Includes collections from defaulted loans.

c) CR3 - Credit risk mitigation techniques – Overview:

	Current Period	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	99.375.806	3.646.239	1.684.399	-	-	-	-
2	Debt Securities	25.267.456	-	-	-	-	-	-
3	**Total**	**124.643.262**	**3.646.239**	**1.684.399**	**-**	**-**	**-**	**-**
4	Of which defaulted	1.560.646	12.305	458	-	-	-	-

	Prior Period	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	93.352.575	3.351.417	1.772.578	-	-	-	-
2	Debt Securities	21.221.000	-	-	-	-	-	-
3	**Total**	**114.573.575**	**3.351.417**	**1.772.578**	**-**	**-**	**-**	**-**
4	Of which defaulted	1.381.892	27.224	2.279	-	-	-	-

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

d) CR4 - Standardized 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	
	Risk Classes	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	46.143.477	-	52.401.164	-	11.747.904	22%
2	Exposures to regional governments or local authorities	77.602	65	77.602	-	38.801	50%
3	Exposures to public sector entities	233.412	98.639	212.356	46.406	258.761	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	6.361.596	1.700.593	6.361.597	1.236.105	3.918.726	52%
7	Exposures to corporates	44.006.569	30.316.138	41.829.482	14.802.934	56.632.416	100%
8	Retail exposures	50.986.750	69.204.464	45.243.263	3.587.956	36.623.414	75%
9	Exposures secured by residential property	3.000.732	383.749	3.000.733	9.622	1.053.624	35%
10	Exposures secured by commercial real estate	2.965.685	165.737	2.965.685	93.053	1.529.369	50%
11	Past-due loans	1.431.598	-	1.431.161	-	1.009.577	71%
12	Higher-risk categories by the Agency Board	162.136	8.714	162.115	2.265	246.570	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	7.444.995	267.315	7.444.995	-	5.445.613	73%
17	Investments in equities	1.206.101	-	1.206.101	-	1.206.101	100%
18	**Total**	**164.020.653**	**102.145.414**	**162.336.254**	**19.778.341**	**119.710.876**	**66%**

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

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

e) CR5 – Standardized approach – exposures by asset classes and risk weight:

Current Period

	Risk Classes / Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total Credit Risk Exposure Amount(*)
1	Exposures to central governments or central banks	40.653.260	-	-	-	-	-	11.747.904	-	-	52.401.164
2	Exposures to regional governments or local authorities	-	-	-	-	77.602	-	-	-	-	77.602
3	Exposures to public sector entities	-	-	-	-	-	-	258.762	-	-	258.762
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1.331.240	-	5.227.967	-	1.038.495	-	-	7.597.702
7	Exposures to corporates	-	-	-	-	-	-	56.632.416	-	-	56.632.416
8	Retail exposures	-	-	-	-	-	48.831.219	-	-	-	48.831.219
9	Exposures secured by residential property	-	-	-	3.010.355	-	-	-	-	-	3.010.355
10	Exposures secured by commercial real estate	-	-	-	-	3.058.738	-	-	-	-	3.058.738
11	Past-due loans	-	-	-	-	843.168	-	587.993	-	-	1.431.161
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	164.380	-	164.380
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	-	-	-	-	-	-	1.206.101	-	-	1.206.101
17	Investments in equities	1.998.684	-	873	-	-	-	5.445.438	-	-	7.444.995
18	**Total**	**42.651.944**	**-**	**1.332.113**	**3.010.355**	**9.207.475**	**48.831.219**	**76.917.109**	**164.380**	**-**	**182.114.595**

(*)Exposures post- Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM)

Prior Period

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

(*)Exposures post- Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM)

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

3) Counterparty Credit Risk Disclosures

a) 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	6.720.251	1.383.420	-	1,4	3.666.880	2.311.194
2	Internal Model Approach	-	-	-	-	-	-
3	Simplified Standardized Approach for Credit Risk Mitigation	-	-	-	-	-	-
4	Comprehensive Method for Credit Risk Mitigation	-	-	-	-	3.330.546	1.497.817
5	Value at Risk for Repo Transactions, Securities or Commodity Lending or Borrowing Transactions	-	-	-	-	-	-
6	**Total**	-	-	-	-	-	**3.809.011**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard Approach-CCR	8.063.385	1.494.161	-	1,4	3.974.460	2.247.225
2	Internal Model Approach	-	-	-	-	-	-
3	Simplified Standardized Approach for Credit Risk Mitigation	-	-	-	-	-	-
4	Comprehensive Method for Credit Risk Mitigation	-	-	-	-	1.745.138	622.861
5	Value at Risk for Repo Transactions, Securities or Commodity Lending or Borrowing Transactions	-	-	-	-	-	-
6	**Total**	-	-	-	-	-	**2.870.086**

b) CCR2 – Credit valuation adjustment (CVA) capital charge:

		Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
		Current Period	**Prior Period**	**Current Period**	**Prior Period**
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (3*multiplier included)	-	-	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3	Total portfolio value with simplified approach CVA capital adequacy	3.666.880	3.974.460	859.864	817.428
4	**Total amount of CVA capital adequacy**	**3.666.880**	**3.974.460**	**859.864**	**817.428**

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

c) CCR3 – Standardized approach – CCR exposures by regulatory portfolio and risk weights:

Current Period

	Risk Weight / Risk Classes	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Other**	**Total Credit Risk**
1	Central governments and central banks receivables	22.457	-	-	-	-	-	-	4.379	26.836
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
3	Administrative and non-commercial receivables	-	-	-	-	-	3	-	-	3
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
5	International Organizations receivables	-	-	-	-	-	-	-	-	-
6	Banks and Intermediary Institutions receivables	-	-	543.248	5.450.552	-	23.164	-	-	6.016.964
7	Corporate receivables	-	-	-	-	-	944.380	-	-	944.380
8	Retail receivables	-	-	-	-	8.551	-	-	-	8.551
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	692	-	692
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**	**22.457**	**-**	**543.248**	**5.450.552**	**8.551**	**967.547**	**692**	**4.379**	**6.997.426**

Prior Period

	Risk Weight / Risk Classes	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Other**	**Total Credit Risk**
1	Central governments and central banks receivables	6.925	-	-	-	-	-	-	-	6.925
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
3	Administrative and non-commercial receivables	-	-	-	-	-	2	-	-	2
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
5	International Organizations receivables	-	-	-	-	-	-	-	-	-
6	Banks and Intermediary Institutions receivables	-	-	1.022.767	4.044.028	-	16.475	-	-	5.083.270
7	Corporate receivables	-	-	-	-	-	618.067	-	-	618.067
8	Retail receivables	-	-	-	-	10.703	-	-	-	10.703
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	631	-	631
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity investments	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-
18	Other assets	-	-	-	-	-	-	-	-	-
19	**Total**	**6.925**	**-**	**1.022.767**	**4.044.028**	**10.703**	**634.544**	**631**	**-**	**5.719.598**

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

Because Standard method is used for calculation of capital adequacy related table has not been given (December 31, 2018 - None).

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

e) CCR5 – Composition of collateral for CCR exposure:

	Collaterals for Derivatives				Collaterals for Other Transections	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
Current Period	**Reserved**	**Not Reserved**	**Reserved**	**Not reserved**		
Cash-Local Currency	-	-	-	-	1.611.758	-
Cash – Foreign Currency	-	5.094.300	-	3.553.041	6.338.050	-
Government bond/bill- local	-	-	-	-	-	-
Government bond/bill - other	-	-	-	-	-	-
Publicly Establish bond/bill	-	-	-	-	-	-
Corporate bond/bill	-	-	-	-	-	-
Equity Share	-	-	-	-	-	-
Other Collateral	-	-	-	-	-	-
Total	**-**	**5.094.300**	**-**	**3.553.041**	**7.949.808**	**-**

	Collaterals for Derivatives				Collaterals for Other Transections	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
Prior Period	**Reserved**	**Not Reserved**	**Reserved**	**Not reserved**		
Cash-Local Currency	-	-	-	-	92.273	-
Cash – Foreign Currency	-	6.140.938	-	2.124.008	4.622.546	-
Government bond/bill- local	-	-	-	-	100.070	-
Government bond/bill - other	-	-	-	-	-	-
Publicly Establish bond/bill	-	-	-	-	-	-
Corporate bond/bill	-	-	-	-	-	-
Equity Share	-	-	-	-	-	-
Other Collateral	-	-	-	-	-	-
Total	**-**	**6.140.938**	**-**	**2.124.008**	**4.814.889**	**-**

f) CCR6 – Credit derivatives exposures

The Bank has no risk arrived from derivative credit received or sold, the related table has not given. (December 31, 2018 - None).

g) CCR8 – Exposures to central counterparties

		Current Period		Prior Period	
		Exposure at Default (Post – CRM)	**RWA**	**Exposure at Default (Post – CRM)**	**RWA**
1	**Exposure to Qualified Central Counterparties (QCCPs) Total**	**4.379**	**876**	**-**	**-**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	-	-	-	-
3	(i) OTC Derivatives	4.379	876	-	-
4	(ii) Exchange-traded Derivatives	-	-	-	-
5	(iii) Securities financing transactions	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-	-	-	-
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	Exposures to non-QCCPs (total)	-	-	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13	(i) OTC Derivatives	-	-	-	-
14	(ii) Exchange-traded Derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-	-	-	-
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

4. Securitization exposures

The Bank has no securitization transactions (December 31, 2018 - None).

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

5. Explanations on Market Risk

	RWA (**)		
		Current Period	**Prior Period**
	Outright products (*)	3.018.188	1.751.713
1	*Interest rate risk (general and specific)*	*1.779.550*	*1.457.750*
2	*Equity risk (general and specific)*	*43.650*	*14.150*
3	*Foreign exchange risk*	*1.186.188*	*279.350*
4	*Commodity risk*	*8.800*	*463*
	Options	41.163	26.525
5	*Simplified approach*	-	-
6	*Delta-plus method*	*41.163*	*26.525*
7	*Scenario approach*	-	-
8	*Securitization*	-	-
9	**Total**	**3.059.350**	**1.778.238**

(*) Direct (in advance) products, products that do not represent the position of the option.
(**) The market Risk represents the capital requirement multiplied by 12,5 times Risk Weighted Amount

III. Explanations on Foreign Currency Exchange Rate Risk

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

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

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

In measuring the exchange rate exposure of the bank, the "standard method" used in the legal reports and the internal method are used in the VaR. 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	TL 5,7665
Euro purchase rate at the date of the balance sheet	TL 6,5571

Date	US Dollar	Euro
June 28, 2019	5,7665	6,5571
June 27, 2019	5,7630	6,5476
June 26, 2019	5,7904	6,5935
June 25, 2019	5,7444	6,5409
June 24, 2019	5,7915	6,5470

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 June 2019 are TL 5,8119 and TL 6,5569 respectively.

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

5. Information on the foreign currency exchange rate risk of the bank (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)	9.419.923	8.771.654	2.091.201	20.282.778
Due From Banks	460.846	912.610	97.406	1.470.862
Financial Assets at Fair Value through Profit/Loss (2)	481.939	363.321	57	845.317
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1.908.708	3.960.548	-	5.869.256
Loans and Receivables (3)	19.959.975	15.339.051	195.225	35.494.251
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	1.646.172	5.313.595	-	6.959.767
Derivative Financial Assets Hedging Purposes	3.231	79.330	-	82.561
Tangible Assets	-	-	67	67
Intangible Assets	-	-	-	-
Other Assets (4)	1.606.276	1.982.561	2.672	3.591.509
Total Assets	**35.487.070**	**36.722.670**	**2.386.628**	**74.596.368**
Liabilities				
Bank Deposits	987.763	2.376.161	63.412	3.427.336
Foreign Currency Deposits (5)	10.328.650	32.396.140	3.461.258	46.186.048
Money Market Borrowings	1.422.847	5.930.995	-	7.353.842
Funds Provided from Other Financial Institutions	7.271.874	16.179.222	391.362	23.842.458
Securities Issues	-	7.026.751	-	7.026.751
Sundry Creditors	4.630.725	563.232	8.183	5.202.140
Derivative Fin. Liabilities for Hedging Purposes	65.803	483.876	-	549.679
Other Liabilities (6)	593.694	708.554	240	1.302.488
Total Liabilities	**25.301.356**	**65.664.931**	**3.924.455**	**94.890.742**
Net Balance Sheet Position	**10.185.714**	**(28.942.261)**	**(1.537.827)**	**(20.294.374)**
Net Off-Balance Sheet Position	**(10.174.647)**	**27.637.587**	**1.538.274**	**19.001.214**
Financial Derivative Assets	18.310.505	70.933.897	1.766.745	91.011.147
Financial Derivative Liabilities	28.485.152	43.296.310	228.471	72.009.933
Non-Cash Loans (7)	7.627.256	7.908.038	480.080	16.015.374
Prior Period				
Total Assets	28.985.731	29.507.164	2.277.125	60.770.020
Total Liabilities	23.812.819	55.442.492	4.585.722	83.841.033
Net Balance Sheet Position	**5.172.912**	**(25.935.328)**	**(2.308.597)**	**(23.071.013)**
Net Off-Balance Sheet Position	**(5.220.847)**	**25.331.458**	**2.307.317**	**22.417.928**
Financial Derivative Assets	16.634.448	70.688.044	2.403.103	89.725.595
Financial Derivative Liabilities	21.855.295	45.356.586	95.786	67.307.667
Non-Cash Loans	7.367.223	7.133.391	443.815	14.944.429

(1) Cash and Balances with TR Central Bank; Other FC include TL 2.048.941 (December 31, 2018 – TL 2.020.547) precious metal deposit account.

(2) Foreign currency income accruals amounting to TL 75.446 (December 31, 2018 - TL 57.113) that are classified as FC and derivative financial instruments are not included under financial assets at fair value through profit and loss amounting to TL 126.563 in accordance with TFRS 9.

(3) Includes TL 1.483.584 (December 31, 2018 – TL 2.162.619) FC indexed loans.

(4) Does not include FC prepaid expenses amounting to TL 49.403 (December 31, 2018 – TL 11.258) as per BRSA's Communique published in Official Gazette no 26085 on 19 February 2006.

(5) Other foreign currency includes TL 2.504.053 (December 31, 2018 – TL 1.862.513) of precious metal deposit account.

(6) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 445.596 (December 31, 2018 – TL 75.265)

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

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

IV. Explanations on 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 customer deposit accounts and the international markets to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Bank not only funds its long term fixed interest rate loans with TL but also hedges itself from interest rate and maturity risk.

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

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing [1]	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank [2]	10.319.794	-	-	-	-	13.057.819	23.377.613
Banks [3]	129.811	-	-	-	-	1.336.191	1.466.002
Financial Assets at Fair Value Through Profit/Loss [4]	5	1	129.537	13.126	31.808	8.019.663	8.194.140
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) [5]	609.439	76.121	3.915.869	2.580.653	2.895.913	1.775.454	11.853.449
Loans and Receivables	31.214.170	10.298.414	27.903.006	22.291.319	3.346.434	4.882.855	99.936.198
Financial Assets Measured at Amortized Cost [6]	1.803.746	1.968.720	4.944.128	2.715.130	3.627.127	407.279	15.466.130
Other Assets	-	-	-	-	-	10.909.779	10.909.779
Total Assets	**44.076.965**	**12.343.256**	**36.892.540**	**27.600.228**	**9.901.282**	**40.389.040**	**171.203.311**
Liabilities							
Bank Deposits	2.259.212	1.005.578	220.340	-	-	93.800	3.578.930
Other Deposits	56.930.160	9.345.502	4.285.633	185.808	117	20.947.517	91.694.737
Money Market Borrowings	3.982.153	2.310.416	2.767.246	45.625	-	56.088	9.161.528
Sundry Creditors	5.202.140	-	-	-	-	3.453.529	8.655.669
Securities Issued	1.922.664	2.011.593	-	4.034.265	2.992.486	-	10.961.008
Funds Borrowed	1.437.141	8.599.556	10.924.459	63.806	3.029.479	3.233	24.057.674
Other Liabilities [7]	1.251	2.573	11.154	14.433	-	23.064.354	23.093.765
Total Liabilities	**71.734.721**	**23.275.218**	**18.208.832**	**4.343.937**	**6.022.082**	**47.618.521**	**171.203.311**
On Balance Sheet Long Position	-	-	18.683.708	23.256.291	3.879.200	-	45.819.199
On Balance Sheet Short Position	(27.657.756)	(10.931.962)	-	-	-	(7.229.481)	(45.819.199)
Off-Balance Sheet Long Position	5.961.012	15.123.585	-	-	-	-	21.084.597
Off-Balance Sheet Short Position	-	-	(723.314)	(9.868.711)	(5.192.494)	-	(15.784.519)
Total Position	**(21.696.744)**	**4.191.623**	**17.960.394**	**13.387.580**	**(1.313.294)**	**(7.229.481)**	**5.300.078**

[1] Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
[2] Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL
2.306 expected loss provisions.
[3] Banks include balance of expected loss provisions amounting to TL 5.335.
[4] Financial Assets at Fair Value Through Profit/Loss include TL 7.997.718 derivative financial assets at fair value used for hedging purposes.
[5] Financial Assets at Fair Value Through Other Comprehensive Income include TL 1.881.154 derivative financial assets at fair value used for hedging purposes.
[6] Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 13.539.
[7] Other Liabilities include derivative financial liabilities at fair value through other comprehensive income amounting to TL 5.361.099.

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (1)	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	6.948.671	-	-	-	-	11.525.630	18.474.301
Due from Banks	231.261	-	77	-	-	1.000.306	1.231.644
Financial Assets at Fair Value Through Profit/Loss (2)	-	374	111.141	11.814	7.703	9.638.945	9.769.977
Money Market Placements	100.065	-	2.000	-	-	-	102.065
Financial Assets Measured at Fair Value through Other Comprehensive Income (3)	293.702	537.796	3.121.016	1.944.080	2.689.994	2.671.512	11.258.100
Loans and Receivables	28.263.491	10.330.220	25.260.400	22.332.338	3.418.528	4.303.013	93.907.990
Financial Assets Measured at Amortized Cost	1.302.442	1.696.535	3.692.648	1.684.718	3.543.329	975.444	12.895.116
Other Assets	-	-	-	-	-	9.776.542	9.776.542
Total Assets	**37.139.632**	**12.564.925**	**32.187.282**	**25.972.950**	**9.659.554**	**39.891.392**	**157.415.735**
Liabilities							
Bank Deposits	2.399.562	660.153	53.659	-	-	564.208	3.677.582
Other Deposits	45.406.323	15.952.389	6.055.592	150.735	164	15.847.668	83.412.871
Money Market Borrowings	1.700.050	1.712.362	1.199.840	41.625	37.132	23.810	4.714.819
Sundry Creditors	6.211.927	-	-	-	-	2.970.158	9.182.085
Securities Issued	1.220.426	1.317.894	2.680.000	3.639.506	-	46.629	8.904.455
Funds Borrowed	2.957.988	5.983.726	11.544.584	376.377	2.117.695	1.977	22.982.347
Other Liabilities (4)	1.222	2.539	11.242	21.444	-	24.505.129	24.541.576
Total Liabilities	**59.897.498**	**25.629.063**	**21.544.917**	**4.229.687**	**2.154.991**	**43.959.579**	**157.415.735**
On Balance Sheet Long Position	-	-	10.642.365	21.743.263	7.504.563	-	39.890.191
On Balance Sheet Short Position	(22.757.866)	(13.064.138)	-	-	-	(4.068.187)	(39.890.191)
Off-Balance Sheet Long Position	5.263.926	21.607.361	1.915.396	-	-	-	28.786.683
Off-Balance Sheet Short Position	-	-	-	(15.205.275)	(7.277.663)	-	(22.482.938)
Total Position	**(17.493.940)**	**8.543.223**	**12.557.761**	**6.537.988**	**226.900**	**(4.068.187)**	**6.303.745**

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

(2) Financial Assets at Fair Value through Profit / Loss include derivative financial assets amounting to TL 9.631.495 at fair value through profit or loss.

(3) Financial Assets Measured at Fair Value through Other Comprehensive Income include amount of TL 2.814.045 derivative financial assets through other comprehensive income.

(4) Other Liabilities include Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income amounting to TL 236.048

Average interest rates applied to monetary financial instruments

	EURO %	USD %	JPY %	TL %
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	2,00	-	13,00
Due from Banks	0,15	-	-	-
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	4,62	9,70	-	17,55
Money Market Placements			-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	3,73	5,10	-	19,99
Loans and Receivables	4,84	7,19	2,50	21,65
Financial Assets Measured at Amortized Cost	3,97	5,43	-	16,70
Liabilities				
Bank Deposits	0,82	3,37	-	22,61
Other Deposits	0,69	2,87	0,64	22,04
Money Market Borrowings	0,38	2,49	-	22,90
Sundry Creditors	(0,01)	2,38	-	-
Securities Issued	-	5,94	-	23,36
Funds Borrowed	2,29	5,93	-	17,14

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

	EURO %	USD %	JPY %	TL %
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	2,00	-	13,00
Due from Banks	-	1,36	-	23,69
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	2,05	6,64	-	18,90
Money Market Placements	-	-	-	25,52
Investment Securities Available for Sale	3,52	5,00	-	20,91
Loans and Receivables	4,81	7,26	2,39	21,01
Investment Securities Held to Maturity	4,84	5,27	-	25,80
Liabilities				
Bank Deposits	1,26	3,81	-	22,40
Other Deposits	1,64	4,17	0,83	22,34
Money Market Borrowings	0,24	2,43	-	16,27
Sundry Creditors	(0,36)	2,27	-	-
Securities Issued	1,43	5,62	-	27,62
Funds Borrowed	2,31	5,11	-	12,45

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	**484.674**	**-**	**484.674**
Quoted Securities	484.674	-	484.674
3. Investment in Shares- grade C	**-**	**-**	**-**
Quoted Securities	-	-	-
4. Investment in Shares- grade Other (*)	**550.458**	**503.628**	**-**

(*) Includes associates, subsidiaries and entities under common control not quoted to ISE and not classified as investment in shares by 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	-	485.158	485.158	-	-	-
2. Quoted Shares	-	-	-	-	-	-
3. Other Shares	-	-	-	-	-	-
4. Total	-	**485.158**	**485.158**	-	-	-

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

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

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

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

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

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

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

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

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

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

Liquidity Coverage Ratio

	Unweighted Amounts(*)		Weighted Amounts(*)	
Current Period – June 30, 2019	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS			**35.351.169**	**23.112.425**
1. High Quality Liquid Assets	35.351.169	23.112.425	35.351.169	23.112.425
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	70.126.827	35.729.690	6.387.972	3.572.969
3. Stable deposits	12.494.209	-	624.710	-
4. Less stable deposits	57.632.618	35.729.690	5.763.262	3.572.969
5. Unsecured Funding other than Retail and Small Business Customers Deposits	28.825.205	14.360.313	18.863.552	9.486.944
6. Operational deposits	703.566	154.256	175.891	38.564
7. Non-Operational Deposits	21.243.114	11.506.587	12.905.964	6.760.829
8. Other Unsecured Funding	6.878.525	2.699.470	5.781.697	2.687.551
9. Secured funding			104.120	104.120
10. Other Cash Outflows	25.067.625	20.457.525	25.067.625	20.457.525
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	25.067.625	20.457.525	25.067.625	20.457.525
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	29.266.177	852.130	1.463.309	42.606
15. Other irrevocable or conditionally revocable commitments	67.894.737	17.460.505	5.081.992	1.573.553
16. TOTAL CASH OUTFLOWS			**56.968.570**	**35.237.717**
CASH INFLOWS				
17. Secured Lending Transactions	565.688	-	-	-
18. Unsecured Lending Transactions	8.905.135	3.009.836	5.852.473	2.658.459
19. Other contractual cash inflows	23.453.585	20.569.668	23.453.585	20.569.668
20. TOTAL CASH INFLOWS	**32.924.408**	**23.579.504**	**29.306.058**	**23.228.127**
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			**35.351.169**	**23.112.425**
22. TOTAL NET CASH OUTFLOWS			**27.662.512**	**12.009.590**
23. LIQUIDITY COVERAGE RATIO (%)			**127,79%**	**192,45%**

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

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

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

			Capped Amounts
21	**TOTAL HIGH QUALITY LIQUID ASSETS**	**29.060.194**	**17.511.509**
22	**TOTAL NET CASH OUTFLOWS**	**24.735.026**	**10.893.034**
23	**LIQUIDITY COVERAGE RATIO (%)**	**117,49%**	**160,76%**

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

(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 2019 are explained in the table below. According to "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014.

	Maximum	**Week**	**Minimum**	**Week**	**Average**
TL+FC	137,16	19.04.2019	117,67	07.06.2019	128,0
FC	222,60	03.05.2019	175,08	14.06.2019	194,4

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 56% of total liabilities of the bank (December 31, 2018 – 55%) 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.

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

Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 Years	5 Years and Over	Unallocated [1]	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank [2]	10.471.896	12.908.023	-	-	-	-	(2.306)	23.377.613
Due from Banks [3]	1.340.194	131.143	-	-	-	-	(5.335)	1.466.002
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) [4]	21.830	217.180	246.604	2.637.377	4.298.110	773.039	-	8.194.140
Money Markets Placements	-	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) [5]	170.969	30.880	201.520	2.098.879	6.454.238	2.896.963	-	11.853.449
Loans and Receivables	-	19.735.118	7.934.963	28.086.847	30.308.719	12.297.600	1.572.951	99.936.198
Financial Assets Measured at Amortized Cost [6]	-	9.453	41.099	2.183.406	7.462.890	5.782.821	(13.539)	15.466.130
Other Assets	-	4.753.501	-	-	1.056.743	-	5.099.535	10.909.779
Total Assets	**12.004.889**	**37.785.298**	**8.424.186**	**35.006.509**	**49.580.700**	**21.750.423**	**6.651.306**	**171.203.311**
Liabilities								
Bank Deposits	93.801	2.259.211	1.005.578	220.340	-	-	-	3.578.930
Other Deposits	20.947.518	56.930.159	9.345.502	4.285.633	185.808	117	-	91.694.737
Funds Borrowed	-	948.101	2.124.003	8.880.178	4.928.073	7.177.319	-	24.057.674
Money Market Borrowings	-	3.997.371	1.584.305	1.582.073	1.094.183	903.596	-	9.161.528
Securities Issued	-	1.922.664	2.011.593	-	4.034.265	2.992.486	-	10.961.008
Sundry Creditors	-	3.577.474	-	1.434.129	3.644.066	-	-	8.655.669
Other Liabilities [7]	-	1.682.976	176.971	1.258.504	2.909.817	1.194.628	15.870.869	23.093.765
Total Liabilities	**21.041.319**	**71.317.956**	**16.247.952**	**17.660.857**	**16.796.212**	**12.268.146**	**15.870.869**	**171.203.311**
Liquidity Excess / Gap	**(9.036.430)**	**(33.532.658)**	**(7.823.766)**	**17.345.652**	**32.784.488**	**9.482.277**	**(9.219.563)**	**-**
Net Off Balance Sheet Position [8]	**-**	**318.002**	**1.838.120**	**1.896.381**	**(150.342)**	**60.368**	**-**	**3.962.529**
Receivables from Financial Derivative Instruments	-	4.492.254	13.444.874	38.040.534	23.412.929	23.578.732	-	102.969.323
Liabilities from Derivatives	-	4.174.252	11.606.754	36.144.153	23.563.271	23.518.364	-	99.006.794
Non-cash Loans [9]	**-**	**1.806.961**	**2.827.509**	**10.609.857**	**2.984.309**	**701.413**	**7.333.000**	**26.263.049**
Prior Period								
Total Assets	8.817.854	33.974.652	10.605.719	29.096.357	46.430.332	22.078.291	6.412.530	157.415.735
Total Liabilities	15.682.079	60.121.919	22.466.715	19.880.642	16.424.887	7.327.964	15.511.529	157.415.735
Liqudity Gap	**(6.864.225)**	**(26.147.267)**	**(11.860.996)**	**9.215.715**	**30.005.445**	**14.750.327**	**(9.098.999)**	**-**
Net-Off Balance Sheet Position[8]	**-**	**(451.657)**	**916.705**	**2.068.254**	**2.418.444**	**31.040**	**-**	**4.982.786**
Receivables from Derivative Instruments	-	18.806.542	13.979.878	22.307.730	37.623.265	18.740.181	-	111.457.596
Liabilities from Derivative Instruments	-	19.258.199	13.063.173	20.239.476	35.204.821	18.709.141	-	106.474.810
Non-cash Loans [9]	**-**	**1.246.671**	**2.179.701**	**8.419.216**	**2.914.717**	**412.843**	**8.516.098**	**23.689.246**

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column. Unallocated other liabilities include shareholders' equity amounting to TL 14.977.434, current tax liability to TL 152.532 and unallocated provisions amounting to TL 740.902.

(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank inclues expected loss provisions the amont of TL 2.306.

(3) Banks include balance of expected loss provisions amounting to TL 5.335.

(4) Financial Assets at Fair Value through Profit / Loss include derivative financial assets amounting to TL 7.997.718 at fair value through profit or loss.

(5) Financial Assets at Fair Value Through Other Comprehensive Income include TL 1.881.154 derivative financial assets used for hedging purposes.

(6) Financial assets measured at amortized cost include TL 13.539 of expected loss provisions.

(7) Other Liabilities also include derivative financial liabilities amounting to TL 5.361.099.

(8) 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

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

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

VII. 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 6,24% (December 31, 2018: 6,22%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

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

	Book Value	
	Current Period(*)	**Prior Period(*)**
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit	162.497.097	145.032.426
(Assets deducted from capital stock)	455.488	414.129
Total risk amount related to Assets on Balance sheet	**162.041.609**	**144.618.297**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	11.751.784	14.012.279
Potential credit risk amount of derivative financial instruments and credit derivatives	1.517.202	1.399.021
Total risk amount related to derivative financial instruments and credit derivatives	**13.268.986**	**15.411.300**
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral kıymet veya emtia teminatlı finansman işlemlerinin risk tutarı	19.635	1.509
Risk amount sourcing from transactions mediated	5.396	-
Total risk amount related to financial transactions having security or commodity collateral	**25.031**	**1.509**
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	102.008.707	92.988.000
(Adjustment amount sourcing from multiplying to credit conversion rates)	26.048.583	26.202.861
Total risk amount related to off-balance sheet transactions	**75.960.124**	**66.785.139**
Capital and Total Risk		
Core Capital	15.688.333	14.112.759
Amount of total risk	251.295.750	226.816.245
Financial leverage ratio		
Financial leverage ratio	6,24%	6,22%

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

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Assets

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Cash in TL/Foreign Currency	671.725	1.251.190	787.019	849.141
T.R. Central Bank	2.355.294	19.025.069	1.035.698	15.770.333
Other	70.122	6.519	-	69.251
Total	**3.097.141**	**20.282.778**	**1.822.717**	**16.688.725**

b) Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Unrestricted Demand Deposits	2.355.294	6.117.046	1.035.698	4.950.681
Restricted Time Deposits	-	12.908.023	-	10.819.652
Total	**2.355.294**	**19.025.069**	**1.035.698**	**15.770.333**

As of June 30, 2019 amount of TL 2.306 (December 31, 2018 – TL 37.141) provision provided for the account T.R. Central Bank.

As of June 30, 2019, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 1 % to 7% depending on the maturity of deposits (December 31, 2018 – 1,5% to 8 %) and the compulsory rates for the foreign currency liabilities are within an interval from 5% to 21% depending on the maturity of deposits and other liabilities (December 31, 2018 – 4% to 20%). In accordance with the “Communiqué Regarding the Reserve Requirements”, the reserve requirements can be maintained as TL, USD, EUR and standard gold.

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

a) Trading securities given as collateral or blocked

As of June 30, 2019 amount of financial assets at fair value through profit/loss which has given as collateral or blocked is TL 377 (December 31, 2018 – TL 695).

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

None (December 31, 2018 – None).

c) Assets on trading derivatives

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forward Transactions	46.894	1.453	138.487	-
Swap Transactions	3.316.841	790.497	4.750.898	400.289
Futures Transactions	-	207	-	2.576
Options	402	120.410	120	188.916
Total	**3.364.137**	**912.567**	**4.889.505**	**591.781**

(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	473	132.316	200.550	755
Foreign	2	1.338.546	3	1.030.777
Foreign Head Offices and Branches	-	-	-	-
Total	**475**	**1.470.862**	**200.553**	**1.031.532**

As of June 30, 2019 amount of TL 5.335 provision provided (December 31, 2018- TL 441) for the Bank account.

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
EU Countries	317.435	225.873	34.389	37.842
USA and Canada	725.898	568.966	173.318	160.682
OECD Countries (*)	56.793	1.535	-	-
Off-shore Banking Regions	-	-	-	-
Other	30.715	35.882	-	-
Total	**1.130.841**	**832.256**	**207.707**	**198.524**

(*) Includes OECD countries other than the EU countries, USA and Canada.
(**) Includes blocked placements amounting to TL 207.707 at foreign banks (December 31, 2018 - TL 198.524) for the funds borrowed from foreign banks.

4. Information on receivables from reverse repurchase agreements

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

(*) As of June 30, 2019 no provision has been provided for the account receivables from money markets (December 31,2019 – TL 5).

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

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Given as Collateral/ Blocked	53.830	1.169.644	66.853	654.173
Subject to repurchase agreements	1.414.318	4.177.315	92.213	2.722.377
Total	**1.468.148**	**5.346.959**	**159.066**	**3.376.550**

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

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

	Current Period	Prior Period
Debt securities	**10.202.150**	**8.742.018**
Quoted on a stock exchange (*)	10.202.150	8.742.018
Unquoted on a stock exchange	-	-
Share certificates	**171.076**	**118.277**
Quoted on a stock exchange	-	-
Unquoted on a stock exchange (**)	171.076	118.277
Impairment provision(-)(***)	**(400.931)**	**(416.240)**
Total	**9.972.295**	**8.444.055**

(*) The Eurobond Portfolio amounting to TL 2.442.676 (December 31, 2018 - TL 2.654.262) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as financial assets measured at fair value through other comprehensive income in order to be in line with balance sheet presentation.
(**)It includes 11.695 Type C Visa Inc. shares transferred to Main Partner Bank because of exchange of stock as a result of transferring of Visa Europe Ltd to Visa Inc.
(***)As of June 30, 2019 amount of TL 1.845 (December 31, 2018 - TL 19.492) provision provided for financial assets measured at fair value through other comprehensive income account.

6. Information related to loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	**1.304**	-	-	-
Corporate Shareholders	1.304	-	-	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees(*)	97.451	-	85.872	-
Total	**98.755**	-	**85.872**	-

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

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

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

Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Non-specialized Loans	**88.500.207**	**5.251.669**	**258.569**	**7.438.650**
Discount Notes	1.009.597	6.256	-	-
Export Loans	2.107.103	110.318	-	-
Import Loans	18.981	-	-	-
Loans Given to Financial Sector	991.543	554	-	-
Retail Loans	17.671.948	957.639	85.985	1.042.084
Credit Cards	13.693.535	716.004	-	850.128
Other	53.007.500	3.460.898	172.584	5.546.438
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**88.500.207**	**5.251.669**	**258.569**	**7.438.650**

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

	Standard Loans	Loans And Other Receivables Under Close Monitoring
Current Period		
Provision for 12 Month Expected Credit Losses	1.120.386	-
Significant Increase in Credit Risk	-	1.965.462
Prior Period		
Provision for 12 Month Expected Credit Losses	1.062.828	-
Significant Increase in Credit Risk	-	1.623.142

b.2) Loans at fair value through profit or loss

In the current period, the Bank follows the loan amounting to TL 126.563 under financial assets at fair value through profit or loss in line with TFRS 9 (31 December 2018 - TL 110.032).

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

		Loans Under Close Monitoring	
Cash Loans	**Standard Loans**	**Loans Not Subject to Restructuring**	**Loans with Restructured Loans**
Short-term Loans	34.030.642	716.004	850.128
Medium and Long-term Loans	54.469.565	4.535.665	6.847.091
Total	**88.500.207**	**5.251.669**	**7.697.219**

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

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	**936.983**	**16.832.650**	**17.769.633**
Housing Loans	127.165	4.306.551	4.433.716
Automobile Loans	427	12.732	13.159
Personal Need Loans	809.391	12.513.367	13.322.758
Other	-	-	-
Consumer Loans-FC Indexed	**3.398**	**1.000**	**4.398**
Housing Loans	3.136	931	4.067
Automobile Loans	-	-	-
Personal Need Loans	262	69	331
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	**11.537.993**	**549.215**	**12.087.208**
Installment	4.185.806	549.215	4.735.021
Non- Installment	7.352.187	-	7.352.187
Individual Credit Cards-FC	**12.378**	-	**12.378**
Installment	-	-	-
Non- Installment	12.378	-	12.378
Personnel Loans-TL	**5.294**	**41.963**	**47.257**
Housing Loans	37	345	382
Automobile Loans	-	-	-
Personal Need Loans	5.257	41.618	46.875
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	**41.127**	-	**41.127**
Installment	15.211	-	15.211
Non-Installment	25.916	-	25.916
Personnel Credit Cards-FC	**163**	-	**163**
Installment	-	-	-
Non-Installment	163	-	163
Overdraft Accounts-TL (Real Persons)	**1.936.368**	-	**1.936.368**
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	**14.473.704**	**17.424.828**	**31.898.532**

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

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

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility – TL	**1.137.722**	**14.302.232**	**15.439.954**
Real Estate Loans	12.324	400.725	413.049
Automobile Loans	2.940	90.378	93.318
Personal Need Loans	1.122.458	13.811.129	14.933.587
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	**421.433**	**508.149**	**929.582**
Real Estate Loans	5.544	5.326	10.870
Automobile Loans	18.788	33.807	52.595
Personal Need Loans	397.101	469.016	866.117
Other	-	-	-
Commercial Loans with Installment Facility – FC	**-**	**-**	**-**
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards –TL	**3.073.999**	**43.368**	**3.117.367**
Installment	722.690	43.368	766.058
Non-Installment	2.351.309	-	2.351.309
Corporate Credit Cards –FC	**1.424**	**-**	**1.424**
Installment	-	-	-
Non-Installment	1.424	-	1.424
Overdraft Accounts-TL (Legal Entities)	**1.224.012**	**-**	**1.224.012**
Overdraft Accounts-FC (Legal Entities)	**-**	**-**	**-**
Total	**5.858.590**	**14.853.749**	**20.712.339**

f) Loans according to borrowers

	Current Period	Prior Period
Public	127.152	101.668
Private	101.321.943	95.193.208
Total	**101.449.095**	**95.294.876**

g) Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	100.762.823	94.768.174
Foreign Loans	686.272	526.702
Total	**101.449.095**	**95.294.876**

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

h) Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	405.865	549.999
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	**405.865**	**549.999**

i) Specific provisions for loans

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	362.353	738.748
Doubtful Loans and Other Receivables	1.097.663	608.313
Uncollectible Loans and Receivables	3.957.451	3.399.075
Total	**5.417.467**	**4.746.136**

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
Gross Amounts Before the Provisions	522	24.578	120.415
Restructured Loans	522	24.578	120.415
Prior Period			
Gross Amounts Before the Provisions	4.765	28.339	58.313
Restructured Loans	4.765	28.339	58.313

j.2) Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period End Balance	**1.317.684**	**928.415**	**3.909.153**
Additions (+)	1.262.211	70.169	82.614
Transfers from Other Categories of Non-Performing Loans (+)	-	1.836.742	848.798
Transfers to Other Categories of Non-Performing Loans (-)	1.836.742	848.798	-
Collections (-)	121.629	179.735	277.642
Write-offs (-)	-	-	822
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Period End Balance	**621.524**	**1.806.793**	**4.562.101**
Provision (-)	362.353	1.097.663	3.957.451
Net Balances on Balance Sheet	**259.171**	**709.130**	**604.650**

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

None (December 31, 2018 - None).

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

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

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	**Loans and receivables with doubtful collectability**	**Uncollectible loans and receivables**
Current Period (Net)	**259.171**	**709.130**	**604.650**
Loans to Real Persons and Legal Entities (Gross)	621.524	1.806.793	4.485.743
Provision (-)	362.353	1.097.663	3.881.093
Loans to Real Persons and Legal Entities (Net)	259.171	709.130	604.650
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	76.358
Provision (-)	-	-	76.358
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	**578.936**	**320.102**	**510.078**
Loans to Real Persons and Legal Entities (Gross)	1.317.684	928.415	3.876.032
Specific provision (-)	738.748	608.313	3.365.954
Loans to Real Persons and Legal Entities (Net)	578.936	320.102	510.078
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	33.121
Specific provision (-)	-	-	33.121
Other Loans and Receivables (Net)	-	-	-

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	**Loans and receivables with doubtful collectability**	**Uncollectible loans and receivables**
Current Period (Net)			
Interest Accruals and Valuation Differences	59.109	198.513	164.734
Provision (-)	36.023	129.869	128.027
Prior Period (Net)			
Interest Accruals and Valuation Differences	154.002	126.042	35.215
Provision (-)	94.342	77.214	21.573

k) Liquidation policies for uncollectible loans and other receivables

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

l) Write-off policy

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

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

7. Information on Financial Assets Measured at Amortized Cost

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Given as Collateral / Blocked	797.177	315.003	628.100	363.462
Subject to repurchase agreements	209.565	5.919.762	-	3.673.636
Total	**1.006.742**	**6.234.765**	**628.100**	**4.037.098**

b) Information on government debt securities measured at amortized cost

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Government Bond	8.519.902	6.064.666	7.916.505	3.995.358
Treasury Bill	-	-	-	-
Other Debt Securities	-	290.576	-	288.169
Total	**8.519.902**	**6.355.242**	**7.916.505**	**4.283.527**

c) Information on investment securities measured at amortized cost

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Debt Securities	**8.519.902**	**6.959.767**	**7.916.505**	**5.015.688**
Publicly-traded	8.519.902	6.959.767	7.916.505	5.015.688
Non-publicly traded	-	-	-	-
Provision for losses (-)	**-**	**-**	**-**	**-**
Total	**8.519.902**	**6.959.767**	**7.916.505**	**5.015.688**

d) Movements of financial assets measured at amortized cost

	Current Period	Prior Period
Value at the beginning of the period	**12.932.193**	**8.946.170**
Exchange differences on monetary assets	591.759	1.333.014
Acquisitions during the year	2.778.272	2.201.072
Disposals through sales and redemptions	(1.250.928)	(837.723)
Provision for losses (-)	-	-
Valuation effect	428.373	1.289.660
The sum of end of the period	**15.479.669**	**12.932.193**

As of June 30, 2019, a provision amounting to TL 13.539 (December 31,2018- TL 37.077) is provided for the financial assets measured at amortized cost.

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
120.754	64.965	57.531	1.238	-	8.943	4.564	-

(*) Current amounts stated in table are from March 31, 2019 and prior period profit&loss amounts are taken from the financials of March 31, 2018.

b) Information on the consolidated subsidiaries

None (December 31, 2018- None).

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

8.2. Movements of investments in associates

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

8.3. Sectoral distribution of associates

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

8.4. Quoted Associates

None (December 31, 2018 - None).

8.5. Valuation methods of investments in associates

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

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

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	100,00	100,00

	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.	55.697	19.844	24.087	-	-	3.788	273	-
2.	20.104	9.688	5.255	1.148	-	3.540	1.050	-

b) Information on the consolidated subsidiaries

b.1) Information on the consolidated subsidiaries

	Subsidiary	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	QNB Finans Yatırım Menkul Değerler A.Ş	İstanbul/Türkiye	99,80	100,00
2.	QNB Finans Finansal Kiralama A.Ş.	İstanbul/Türkiye	99,40	99,40
3.	Hemenal Finansman A.Ş.	İstanbul/Türkiye	100,00	100,00
4.	QNB Finans Portföy Yönetimi A.Ş	İstanbul/Türkiye	0,03	100,00
5.	QNB Finans Faktoring Hizmetleri A.Ş.	İstanbul/Türkiye	99,99	100,00
6.	QNB Finans Varlık Kiralama Şirketi A.Ş.	İstanbul/Türkiye	-	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.	604.172	209.118	4.344	79.371	767	34.326	21.092	178.406
2.	5.931.626	859.316	9.570	266.320	-	53.103	68.968	484.674
3.	88.159	23.230	3.311	9.177	-	(5.789)	(2.153)	-
4.	12.599	9.584	261	335	-	(206)	(821)	-
5.	1.340.340	154.560	12.422	129.088	-	27.468	18.846	118.110
6.	60.942	200	1	-	-	-	-	-

(*) Fair values of publicly traded subsidiaries reflect their Istanbul Stock Exchange (ISE) values as of balance sheet date.

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

b.2) Movement of investments in subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	**1.103.202**	**724.921**
Movements during the period	**(263.571)**	**378.281**
Purchases(*)	-	15.000
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification		-
Revaluation Increase	(263.571)	363.281
Impairment Provision	-	-
Balance at the End of the Period	**839.631**	**1.103.202**
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

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

b.3) Sectoral distribution of subsidiaries

	Current Period	Prior Period
Factoring Companies	118.110	105.614
Leasing Companies	484.674	777.308
Finance Companies	58.395	58.395
Other Subsidiaries	178.452	161.885
Total	**839.631**	**1.103.202**

b.4) Quoted subsidiaries within the context of consolidation

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	484.674	777.308
Quoted on International Stock Exchanges	-	-
Total	**484.674**	**777.308**

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. (*)	1.359.820	148.635	24.843	-	-	62.816	40.454	148.673
2.	106.864	70.715	40.268	-	-	17.470	5.421	-

(*) Cigna Finans Emeklilik ve Hayat A.Ş., is accounted with fair value method as Communique on Bank's unconsolidated Financial Statement and Turkish Financial Reporting Standards.

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

11. Information on leasing receivables (Net)

None (December 31, 2018 - None).

12. Information on the hedging derivative financial assets

	Current Period(***)		Prior Period	
	TL	**FC**	**TL**	**FC**
Fair Value Hedge (*)	3.644.933	76.081	4.117.133	33.076
Cash Flow Hedge (**)	1.874.673	6.481	2.702.865	111.180
Foreign Net Investment Hedges	-	-	-	-
Total	**5.519.606**	**82.562**	**6.819.998**	**144.256**

(*)Derivative financial instruments held for fair value hedge consist of swaps. As of 30 June 2019, TL 2.068 of this amount is related to marketable securities (December 31, 2018 - TL 31.027), TL 3.231 of borrowings(December 31, 2018 - TL 2.049), TL 3.644.933 of loans (December 31, 2018 - TL 4.117.133), TL 70.782 of securities issued (December 31, 2018- None) represents the fair value of derivative financial instruments used in hedging.

(**) Represents the fair value of derivative financial instruments for cash flow hedge of deposits and floating interest borrowings.

(***)Derivative financial assets for fair value hedge in the current period are presented in the financial statements at line 1.4.1 and financial assets held for cash flow hedge are shown in the line at line 1.4.2.

13. Explanations regarding the investment properties

None (December 31, 2018- None)

14. Information on Tax Asset

As of June 30, 2019, the Bank has TL 394.474 deferred tax asset calculated under the related regulations.

Deferred tax assets and liabilities are reflected to the financial statements by netting off according to TAS 12. As of June 30, 2019, the Bank has deferred tax assets amounting to TL 920.152 and deferred tax assets amounting to TL 525.678, which arise between the carrying amount of the assets and liabilities in the balance sheet and the tax bases determined in accordance with tax legislation and calculated over the amounts to be taken into account in the calculation of financial profit / the tax liability is netted and recorded in the records. Deferred tax is offset against deferred tax assets or liabilities, if the differences between the carrying amount and the fair value of the related assets are related to the equity account group. The deferred tax asset amounting to TL 221.614 has been netted under equity (December 31, 2018 - TL 30.708 deferred tax asset).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	30.06.2019	**31.12.2018**	**30.06.2019**	**31.12.2018**
Provision for Employee Rights	394.414	426.856	86.771	93.908
Difference Between the Book Value of Financial Assets and Tax Base	143.248	2.334.124	31.515	499.611
Other	3.644.849	3.807.650	801.866	837.683
Deferred Tax Assets			**920.152**	**1.431.202**
Difference Between the Book Value Financial Assets and Tax Base	(214.854)	(256.498)	(47.268)	(56.429)
Difference Between the Book Value of Financial Assets and Tax Base	(1.852.750)	(3.244.933)	(407.605)	(707.221)
Other	(321.843)	(660.313)	(70.805)	(145.269)
Deferred Tax Liabilities			**(525.678)**	**(908.919)**
Deferred Tax Assets/(Liabilities), Net			**394.474**	**522.283**

	Current Period 01.01-30.06.2019	Prior Period 01.01-30.06.2018
Deferred Tax as of January 1 Active/ (Passive) - Net	522.283	421.384
Deferred Tax (Loss) / Gain	(318.715)	82.233
Deferred Tax that is Realized Under Shareholder's Equity	190.906	(23.853)
Deferred Tax Active/ (Passive) - Net	**394.474**	**479.764**

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

15. Information on assets held for sale and discontinued operations

As of June 30, 2019 there is no tangible asset held for sale (December 31, 2018 - none).

16. Information on other assets

16.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Collateral Given for Derivative Transactions	3.552.912	2.149.355
Assets Held for Resale (net)	1.056.743	879.983
Other Prepaid Expenses	605.716	576.894
Miscellaneous Receivables	317.711	296.685
Cheques Receivables from Other Banks	101.116	714.694
Advances Given	89.708	7.498
Prepaid Agency Commissions	52.733	15.608
Prepaid rent expenses	115	44.788
Other	25.424	10.950
Total	**5.802.178**	**4.696.455**

As of June 30, 2019, the bank provisions for other assets to TL 8.067 (December 31, 2018 – TL 2.008).

16.2. 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 16.1 section of explanations and disclosures related to assets.

17. Accrued interest and income

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Derivative Financial Instruments	8.883.743	995.129	11.709.503	736.037
Loans	2.859.234	446.100	2.529.745	364.154
Financial Assets measured at amortized cost	321.662	99.157	942.576	69.946
Central Bank of Turkey	71.592	-	60.220	-
Banks	-	2	279	-
Financial Assets at Fair Value Through Profit or Loss	(85)	201	136	(7)
Financial Assets at Fair Value Through Other Comprehensive Income	66.256	(256.036)	101.449	(331.209)
Other Accruals	16.964	1.442	1.001	7.023
Total	**12.219.366**	**1.285.995**	**15.344.909**	**845.944**

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

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	**3.466.217**	**-**	**5.687.350**	**18.044.148**	**445.843**	**475.481**	**2.424.985**	**929**	**30.544.953**
Foreign Currency	**12.270.653**	**-**	**4.417.924**	**22.811.497**	**1.525.348**	**1.395.715**	**1.257.620**	**3.238**	**43.681.995**
Residents in Turkey	11.935.694	-	4.381.446	22.353.947	1.456.578	1.329.719	904.197	3.238	42.364.819
Residents Abroad	334.959	-	36.478	457.550	68.770	65.996	353.423	-	1.317.176
Public Sector Deposits	**231.608**	**-**	**224**	**2.925**	**25**	**60**	**43**	**-**	**234.885**
Commercial Deposits	**2.586.593**	**-**	**5.395.880**	**5.433.884**	**84.082**	**125.047**	**191.793**	**-**	**13.817.279**
Other Ins. Deposits	**61.462**	**-**	**100.006**	**726.991**	**10.015**	**3.243**	**9.855**	**-**	**911.572**
Precious Metal Deposits	**2.330.985**	**-**	**-**	**47.214**	**-**	**10.913**	**114.941**	**-**	**2.504.053**
Bank Deposits	**93.801**	**-**	**162.281**	**2.340.080**	**760.013**	**209.397**	**13.358**	**-**	**3.578.930**
T.R Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	17.694	-	65.123	-	-	4.601	-	-	87.418
Foreign Banks	40.863	-	97.158	2.340.080	760.013	204.796	13.358	-	3.456.268
Participation Banks	35.244	-	-	-	-	-	-	-	35.244
Other	-	-	-	-	-	-	-	-	-
Total	**21.041.319**	**-**	**15.763.665**	**49.406.739**	**2.825.326**	**2.219.856**	**4.012.595**	**4.167**	**95.273.667**

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	**2.951.929**	**-**	**4.425.049**	**16.913.430**	**4.014.224**	**1.658.762**	**2.408.105**	**1.782**	**32.373.281**
Foreign Currency	**7.997.652**	**-**	**2.584.447**	**22.134.039**	**1.625.763**	**1.394.003**	**1.152.066**	**-**	**36.887.970**
Residents in Turkey	7.753.048	-	2.572.021	21.580.333	1.545.330	1.328.027	886.348	-	35.665.107
Residents Abroad	244.604	-	12.426	553.706	80.433	65.976	265.718	-	1.222.863
Public Sector Deposits	**313.443**	**-**	**472**	**5.062**	**346**	**-**	**148**	**-**	**319.471**
Commercial Deposits	**2.088.318**	**-**	**2.802.222**	**4.459.722**	**1.177.734**	**218.963**	**480.505**	**-**	**11.227.464**
Other Ins. Deposits	**50.544**	**-**	**39.436**	**597.919**	**27.309**	**18.487**	**8.473**	**-**	**742.168**
Precious Metal Deposits	**1.724.651**	**-**	**-**	**43.459**	**1.525**	**10.188**	**82.694**	**-**	**1.862.517**
Bank Deposits	**555.542**	**-**	**272.551**	**2.007.939**	**802.759**	**37.747**	**1.044**	**-**	**3.677.582**
T.R Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	21.312	-	194.669	-	-	6.187	-	-	222.168
Foreign Banks	45.049	-	77.882	2.007.939	802.759	31.560	1.044	-	2.966.233
Participation Banks	489.181	-	-	-	-	-	-	-	489.181
Other	-	-	-	-	-	-	-	-	-
Total	**15.682.079**	**-**	**10.124.177**	**46.161.570**	**7.649.660**	**3.338.150**	**4.133.035**	**1.782**	**87.090.453**

(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	14.789.260	14.252.095	14.676.867	17.151.063
Foreign Currency Savings Deposits	7.609.588	5.146.914	26.161.170	21.042.426
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**22.398.848**	**19.399.009**	**40.838.037**	**38.193.489**

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	24.291	14.541
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	99.210	71.157
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated 26, 2004	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	**123.501**	**85.698**

2. Information on trading purpose derivatives

Negative value of trading purpose derivatives

	Current Period (*)		Prior Period	
	TL	**FC**	**TL**	**FC**
Forwards	79.539	1.381	132.707	-
Swaps	3.477.137	882.378	5.162.227	292.532
Futures	-	218	-	2.596
Options	140	14.082	477	141.101
Other	-	-	-	-
Total	**3.556.816**	**898.059**	**5.295.411**	**436.229**

(*) Derivative financial liabilities held for trading in the current period are shown on the financial statement in 7.1 Derivative Financial Liabilities line.

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

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	215.216	314.280	138.385	332.637
Foreign Bank, Institutions and Funds	-	18.254.364	-	17.695.227
Total	**215.216**	**18.568.644**	**138.385**	**18.027.864**

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-Term	215.216	3.610.164	138.385	3.781.300
Medium and Long-Term	-	14.958.480	-	14.246.564
Total	**215.216**	**18.568.644**	**138.385**	**18.027.864**

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

c) Additional information on concentrations of the Bank's liabilities

As of June 30, 2019, the Bank's liabilities comprise; 56% deposits (December 31, 2018 – 55%), 14% funds borrowed (December 31, 2018 – 15%), 6% issued bonds (December 31, 2018 – 6%) and 5% Money Market Debts (December 31, 2018 – 3%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From domestic transactions	**1.608.639**	**-**	**90.924**	**-**
Financial institutions and organizations	1.588.136	-	72.397	-
Other institutions and organizations	10.111	-	9.213	-
Real persons	10.392	-	9.314	-
From foreign transactions	**3.120**	**7.353.842**	**1.349**	**4.622.546**
Financial institutions and organizations	-	7.353.842	-	4.622.546
Other institutions and organizations	3.120	-	1.349	-
Real persons	-	-	-	-
Total	**1.611.759**	**7.353.842**	**92.273**	**4.622.546**

5. Information on securities issued (Net)

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Bank Bonds	3.934.257	-	2.206.779	388.754
Bills	-	7.026.751	-	6.308.922
Total	**3.934.257**	**7.026.751**	**2.206.779**	**6.697.676**

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

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

6. If other liabilities account exceeds 10% of total liabilities excluding the off-balance sheet items, information given about components of other liabilities account that 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, 2018 - 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, 2018- None).

7.2. Financial Lease Payables

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	14.979	10.670	15.002	10.136
Between 1 - 4 years	14.433	10.281	21.443	14.487
More than 4 years	-	-	-	-
Total	**29.412**	**20.950**	**36.445**	**24.623**

7.3. Operating Lease Payables

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	18.228	15.347	-	-
Between 1 - 4 years	419.786	353.447	-	-
More than 4 years	-	-	-	-
Total	**438.014**	**368.794**	-	-

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, 2018 - None).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period (***)		Prior Period	
	TL	**FC**	**TL**	**FC**
Fair Value Hedge (*)	184.691	344.625	155.054	215.663
Cash Flow Hedge (**)	171.854	205.054	159.675	76.373
Net Investment Hedge	-	-	-	-
Total	**356.545**	**549.679**	**314.729**	**292.036**

(*) Derivative financial instruments held for fair value hedge consist of swaps. As of June 30, 2019, TL 211.900 of loans (December 31, 2018- TL 181.259), TL 317.416 of securities (December 31, 2018- TL 181.279), fair value of derivative financial instruments used in hedging transactions. There is no fair value of derivative financial instruments used in fair value hedge of securities issued in the current period (31 December 2018 - TL 8.179)

(**)Represents the fair value of derivative financial instruments for cash flow hedges of deposits and floating rate borrowings.

(***)Derivative financial liabilities for the fair value hedge purposes in the current period are presented in line 7.1 of the financial statements and financial liabilities for the purpose of cash flow hedges are shown in line 7.2.

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

9. Information on provisions

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

	Current Period	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans (*)	-	-

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

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

	Current Period	Prior Period
Stage 1	102.826	74.422
Stage 2	14.099	16.431
Stage 3	50.521	50.116
Total	**167.446**	**140.969**

9.3. 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 June 30, 2019 TL 188.829 (December 31, 2018 - TL 173.924) reserve for employee termination benefits was provided in the accompanying financial statements.

As of June 30, 2019, the Bank accrued TL 57.307 (December 31, 2018 – TL 44.501) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of June 30, 2019 TL 148.278 (December 31, 2018 - TL 208.431) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

9.3.1. Movement of employee termination benefits

	Current Period 01.01-30.06.2019	Prior Period 01.01-30.06.2018
As of January 1	173.924	175.627
Service Cost	11.417	12.592
Interest Cost	14.342	10.648
Settlement / curtailment / termination loss	5.971	3.230
Actuarial Difference	1.414	(453)
Paid during the period	(18.239)	(17.219)
Total	**188.829**	**184.425**

9.4. Information on other provisions

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

10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

As of June 30, 2019, the Bank has TL 152.532 current tax liability (December 31, 2018- TL 149.662). As of June 30, 2019, the Bank has no prepaid tax (31 December 2018- None).

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

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	152.532	149.662
Taxation on Securities Income	128.279	70.842
Banking and Insurance Transaction Tax (BITT)	93.517	100.593
Taxation on Real Estates Income	2.815	2.349
Other	26.808	25.882
Total	**403.951**	**349.328**

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	23.667	9.559
Social Security Premiums - Employer Share	25.488	10.358
Unemployment Insurance - Employee Share	1.663	672
Unemployment Insurance - Employer Share	3.326	1.344
Total	**54.144**	**21.933**

11. Information on payables related to assets held for sale

None (December 31, 2018 – None).

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
To be included in the calculation of additional capital	**-**	**3.028.207**	**-**	**-**
Subordinated Loans	-	3.028.207	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	**-**	**2.245.607**	**-**	**4.816.098**
Subordinated loans	-	2.245.607	-	4.816.098
Subordinated debt instruments	-	-	-	-
Total	**-**	**5.273.814**	**-**	**4.816.098**

On April 1, 2019, a subordinated loan amounting to USD 125 million was renewed in accordance with Basel III and included in the calculation of contribution capital as 2029.

On 30 June 2019, subordinated loan amounting to USD 525 million was renewed in compliance with the necessary amendments were made in the capital similar loan prospectus.

13. Information on shareholder's equity

13.1. Paid-in capital

	Current Period	Prior Period
Common Stock	3.350.000	3.350.000
Preferred Stock	-	-

13.2. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital

Capital System	Paid-in Capital	Ceiling
Registered Capital System	3.350.000	12.000.000

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

13.3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period

None (December 31, 2018 – None).

13.4. Information on share capital increases from revaluation funds

None (December 31, 2018 – None).

13.5. Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments

The 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, 2018 – None).

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

None (December 31, 2018 – None).

14. Common stock issue premiums, shares and equity instruments

	Current Period	Prior Period
Number of Stocks (Thousands)	33.500.000	33.500.000
Preferred Capital Stock	-	-
Common Stock Issue Premiums (*)	714	714
Common Stock Withdrawal Profits	-	-
Other Capital Instruments	-	-

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

15. Securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control	**485.158**	**-**	**748.729**	**-**
Valuation Difference	485.158	-	748.729	-
Foreign Exchange Rate Difference	-	-	-	-
Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)	**117.019**	**(672.793)**	**80.775**	**(534.108)**
Valuation Difference	117.019	(672.793)	80.775	(534.108)
Foreign Exchange Rate Difference	-	-	-	-
Total	**602.177**	**(672.793)**	**829.504**	**(534.108)**

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
Derivative Financial Liabilities	3.913.361	1.447.738	5.610.140	728.265
Deposits	668.185	71.072	643.659	86.485
Securities Issued	5.832	156.494	-	52.478
Funds Borrowed	3.038	53.052	2.042	171.001
Money Market Borrowings	-	152.037	173	23.636
Other Accruals	214.180	159.290	140.510	149.556
Total	**4.804.596**	**2.039.683**	**6.396.524**	**1.211.421**

(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	25.053.924	22.362.300
Commitment For Use Guaranteed Credit Allocation	12.358.013	10.852.185
Forward, Asset Purchase Commitments	4.776.941	2.205.109
Payment Commitments for Cheques	2.607.054	2.181.264
Other Irrevocable Commitments	1.641.877	1.188.454
Commitments for Promotions Related with Credit Cards and Banking	28.284	29.958
Tax and Fund Liabilities due to Export Commitments	32.004	28.728
Total	**46.498.097**	**38.847.998**

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

Spesific provision is provided for the non-cash loans amounting to TL 167.446 (December 31, 2018 - TL 140.969) followed in the off-balance sheet accounts that are not indemnified and liquidated yet.

1.3 Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Bank Loans	4.873.573	4.476.254
Letters of Credit	2.241.204	1.727.806
Total	**7.114.777**	**6.204.060**

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

	Current Period	Prior Period
Advance Letters of Guarantee	5.353.865	1.422.077
Final Letters of Guarantee	4.737.352	7.374.286
Provisional Letters of Guarantee	826.834	679.218
Letters of Guarantee Given to Customs Offices	460.247	407.385
Other Letters of Guarantee	7.769.974	7.602.220
Total	**19.148.272**	**17.485.186**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	**3.458.281**	**3.913.293**
Less Than or Equal to One Year with Original Maturity	1.311.859	1.305.237
More Than One Year with Original Maturity	2.146.422	2.608.056
Other Non-Cash Loans	**22.804.768**	**19.775.953**
Total	**26.263.049**	**23.689.246**

(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	**49.046**	**0,48**	**48.013**	**0,30**	**28.886**	**0,33**	**40.184**	**0,27**
Farming and Raising Livestock	44.718	0,44	26.474	0,17	28.886	0,33	22.864	0,15
Forestry	3.581	0,03	-	-	-	-	-	-
Fishing	747	0,01	21.539	0,13	-	-	17.320	0,12
Manufacturing	**1.696.230**	**16,56**	**8.084.032**	**50,48**	**2.318.397**	**26,51**	**7.534.257**	**50,42**
Mining and Quarrying	67.386	0,66	34.654	0,22	14.211	0,16	25.627	0,17
Production	1.493.922	14,58	7.686.781	48,00	2.156.385	24,66	6.766.518	45,28
Electricity, gas and water	134.922	1,32	362.597	2,26	147.801	1,69	742.112	4,97
Construction	**3.072.101**	**29,98**	**1.119.179**	**6,99**	**2.953.023**	**33,77**	**1.791.908**	**11,99**
Services	**5.233.238**	**51,06**	**5.245.029**	**32,75**	**2.718.719**	**31,09**	**5.483.620**	**36,69**
Wholesale and Retail Trade	3.238.193	31,60	1.834.554	11,45	932.803	10,67	1.252.602	8,38
Hotel, Food and Beverage Services	129.361	1,26	635.653	3,97	109.159	1,25	687.370	4,60
Transportation&Communication	412.107	4,02	1.192.705	7,45	307.762	3,52	1.087.830	7,28
Financial Institutions	1.067.381	10,42	1.106.732	6,91	1.031.711	11,80	1.619.277	10,84
Real Estate and Renting Services	16.908	0,16	251	-	-	-	236	-
Self Employment Services	231.779	2,26	39.695	0,25	96.221	1,10	24.265	0,16
Educational Services	6.493	0,06	9.719	0,06	5.832	0,07	6.028	0,04
Health and Social Services	131.016	1,28	425.720	2,66	235.231	2,68	806.012	5,39
Other	**197.060**	**1,92**	**1.519.121**	**9,48**	**725.792**	**8,30**	**94.460**	**0,63**
Total	**10.247.675**	**100,00**	**16.015.374**	**100,00**	**8.744.817**	**100,00**	**14.944.429**	**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	9.925.488	8.964.150	155.469	52.644
Bills of Exchange and Acceptances	40.686	4.830.350	-	2.537
Letters of Credit	75.511	2.165.232	-	461
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**10.041.685**	**15.959.732**	**155.469**	**55.642**

(*) Specific provision for non-cash loans that are not compensated and not converted into cash but recorded as provisions in the off-balance sheet accounts and the expected loss provisions for non-cash loans amounting to TL 50.521 are excluded.

	I. Group		II. Group	
Prior Period (*)	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	8.514.934	8.715.903	163.828	40.405
Bills of Exchange and Acceptances	15.820	4.455.338	-	5.096
Letters of Credit	119	1.723.573	-	4.114
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**8.530.873**	**14.894.814**	**163.828**	**49.615**

(*) Specific provision for non-cash loans that are not compensated and not converted into cash but recorded as provisions in the off-balance sheet accounts and the expected loss provisions for non-cash loans amounting to TL 50.116 are excluded.

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

5. Information on derivative financial instruments

	Current Period	Current Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**91.534.101**	**110.799.329**
Forward transactions(*)	11.842.974	9.303.903
Swap transactions	72.703.385	88.929.936
Futures transactions	172.348	237.014
Option transactions	6.815.394	12.328.476
Interest Related Derivative Transactions (II)	**51.999.536**	**41.650.654**
Forward rate transactions	-	-
Interest rate swap transactions	51.999.536	41.650.654
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	**1.124.468**	**815.440**
A.Total Trading Derivative Transactions (I+II+III)	**144.658.105**	**153.265.423**
Types of hedging transactions		
Fair value hedges	31.504.834	26.613.394
Cash flow hedges	30.590.119	40.258.698
Net investment hedges	-	-
B.Total Hedging Related Derivatives	**62.094.953**	**66.872.092**
Total Derivative Transactions (A+B)	**206.753.058**	**220.137.515**

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

As of June 30, 2019, breakdown of the Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

Current Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell (*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
TL	3.322.622	931.112	8.445.211	24.507.484	1.124.266	1.871.737	41.366	13.143	-
USD	1.091.188	4.334.230	69.162.433	38.425.449	1.764.968	1.162.671	46.016	55.588	1.124.468
EURO	1.388.670	502.178	16.691.048	27.849.019	489.033	374.698	-	16.235	-
Other	113.820	159.154	1.650.021	67.209	19.066	8.955	-	-	-
Total	**5.916.300**	**5.926.674**	**95.948.713**	**90.849.161**	**3.397.333**	**3.418.061**	**87.382**	**84.966**	**1.124.468**

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

Prior Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell (*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
TL	1.586.500	1.358.560	16.605.615	33.081.920	2.341.029	3.164.010	-	-	-
USD	1.319.717	2.532.488	68.229.044	41.827.300	2.748.095	2.370.999	118.507	118.507	815.440
EURO	1.690.980	733.850	14.489.926	20.839.757	1.009.924	575.077	-	-	-
Other	34.999	46.809	2.354.767	24.353	31.116	88.226	-	-	-
Total	**4.632.196**	**4.671.707**	**101.679.352**	**95.773.330**	**6.130.164**	**6.198.312**	**118.507**	**118.507**	**815.440**

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

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 6.906.323 (December 31, 2018 – TL 6.055.337) were subject to hedge accounting by swaps with a nominal of TL 6.277.870 (December 31, 2018 – TL 6.922.598). On June 30, 2019 the net market valuation difference gain amounting to TL 42.115 due to the gain from loans amounting to TL 224.305 (December 31, 2018 – TL 173.326 loss) and loss from swaps amounting to TL 182.190 (December 31, 2018 – TL 171.750 gain) is accounted for under "gains / (losses) from financial derivatives transactions" line in the accompanying financial statements.

As of balance sheet date project finance loans amounting to TL 228.746 (December 31, 2018 – TL 223.858) have been subject to hedge accounting with swaps with a nominal amount of TL 212.866 (December 31, 2018 – TL 210.304). In 2019 TL 1.025 net fair valuation difference gain, net of TL 1.959 (December 31, 2018 – TL 1.980 gain) gain from loans and TL 934 (December 31, 2018 – TL 1.158 loss) loss from swaps has been recorded under "Gains / (losses) from financial derivatives transactions" on accompanying financial statements.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 7.042 (December 31, 2018 – TL 51.313 gain) related to the loans that are ineffective for hedge accounting under "gains / (losses) from financial derivatives transactions" as gain during the current period.

b) Financial Assets Measured at Fair Value through Other Comprehensive Income (Financial Assets Available for Sale)

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Bank using swaps as hedging instruments. As of the balance sheet date; Eurobonds with a nominal of USD 354.663 million and EUR 49,8 million (December 31, 2018 – USD 404,7 million and EUR 75.4 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On June 30, 2019, the net market valuation difference gain amounting to TL 1.404, due to loss from Eurobonds amounting to TL 185.671 (December 31, 2018 – TL 6.814 loss) and loss from swaps amounting to TL 184.266 (December 31, 2018 – TL 6.826 gain) 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, 2018 - 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 855 million (December 31, 2018 – USD 283 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of June 30, 2019, TL 594 net fair valuation difference loss, net of TL 71.293 (December 31, 2018 – TL 1.142 gain) loss from issued bonds and TL 70.700 (December 31, 2018 – TL 1.321 loss) gain from swaps, has been recorded under "Gains / (losses) from financial derivatives transactions" on accompanying financial statements.

d) Borrowings

The Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2018: 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 76 (December 31, 2018: TL 11 net valuation difference expense) sourcing from Credit at an amount of TL 1.255 (December 31, 2018: TL 1.239 loss) loss and TL 1.179 (December 31, 2018 – TL 1.128 gain) gain 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 2.115.000 are subject to hedge accounting as hedging instruments (December 31, 2018 – TL 2.150.000). As a result of the mentioned hedge accounting, fair value gains before taxes amounting to TL 100.010 are accounted for under equity during the current period (December 31, 2018 – TL 37.446 gain). The gain amounting to TL 2.092 (December 31, 2018 – TL 795 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 1.851 million (December 31, 2018 – USD 2.519 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 104 million (December 31, 2018 –EUR 289 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value loss before taxes amounting to TL 329.835 are accounted for under equity during the current period (December 31, 2018 – TL 181.006 gain). The expense amounting to TL 178 (December 31, 2018 – TL 1.302 gain) relating to the ineffective portion is accounted for at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness. In the current period there is gain TL 22.486 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (December 31, 2018 – TL 4.969 loss).

b) Subordinated Loans

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to USD 485 million are subject to hedge accounting as hedging instruments (December 31, 2018 – USD 810 million). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL 219.484 are accounted for under equity during the current period (December 31, 2018 – 6.909 loss). The loss amounting to TL 842 relating to the ineffective portion is accounted for at the income statement.

The measurements as of June 30, 2019, hedge of cash flow transactions stated above are determined as effective.

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

6. Credit derivatives and risk exposures on credit derivatives

As of June 30, 2019, the Bank has no commitments "Credit Linked Notes" (As of December 31, 2018 - None).

As of June 30, 2019, "Other Derivative Financial Instruments" with nominal amount of USD 195.000.000 (December 31, 2018 - USD 155.000.000) are included in Bank's "Swap Interest Sell Transactions." In aforementioned transaction, the Bank is the seller of the protection for USD 195.000.000.

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL 109.188 (December 31, 2018 - TL 117.185) 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 June 2019		FITCH July 2019		CI September 2018	
Long-Term Deposit Rating (FC)	B3	Long -Term Issuer Default Rating(FC)	B+	Long-Term Foreign Curr.	BB-
Long-Term Deposit Rating (TL)	B1	Short-Term Issuer Default Rating(FC)	B	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term Issuer Default Rating(TL)	BB-	FC Appearance	Negative
Short-Term Deposit Rating (TL)	NP	Short-Term Issuer Default Rating(TL)	B	Financial Strength Rating	BB+
Main Credit Evaluation	b3	Long-Term National	AA(tur)	Financial Strength Appearance	Negative
Adjusted Main Credit Evaluation	b1	Appearance	Negative	Support	2
Appearance	Negative	Long-Term Foreign Currency Denominated Debt	B+		
Long-Term Foreign Currency Denominated Debt Rating(FC)	B1	Support	4		
Long-Term Foreign Currency Deposit Rating(FC)		Financial Capacity Rating	b+		

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

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	3.333.268	132.210	2.159.253	41.808
Medium and Long-Term Loans	3.342.258	898.331	2.967.407	587.383
Non-Performing Loans	34.804	-	49.341	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total(*)	**6.710.330**	**1.030.541**	**5.176.001**	**629.191**

(*) Includes fee and commission income related to cash loans.

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
T.R. Central Bank (*)	-	-	-	-
Domestic Banks	58.430	87	110.601	176
Foreign Banks	1.858	44.182	1.198	9.221
Foreign Headquarters and Branches	-	-	-	-
Total	**60.288**	**44.269**	**111.799**	**9.397**

(*) The interest income on Required Reserve amounting TL 130.369 is not included into interest income on Banks. (June 30, 2018: TL 85.660).

c) Information on interest income from securities portfolio

	Current Period	
	TL	**FC**
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	2.874	391
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	413.426	133.921
Financial Assets Measured at Amortized Cost	620.774	168.248
Total	**1.037.074**	**302.560**

	Prior Period	
	TL	**FC**
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	895	334
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	273.134	70.172
Financial Assets Measured at Amortized Cost	284.127	109.564
Total	**558.156**	**180.070**

As stated in Section Three disclosure VII.2, the Bank has inflation indexed (CPI) government bonds in its Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) and Financial Assets Measured at Amortized Cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The Bank determines the estimated inflation rates used for valuation of securities in line with this. The estimated inflation rate used is updated during the year when necessary. In this context, as of June 30, 2019, valuation of such assets is made according to estimated annual inflation rate of 13,5%. If valuation of these securities indexed to the CPI had been done by the reference index valid through June 30, 2019, the Bank's Marketable securities valuation differences would be increased by TL 15,7 million and net profit would be decreased by TL 235,6 million to TL 1.044,1 million.

d) Information on interest income received from associates and subsidiaries

	Current Period	**Prior Period**
Interest Received from Associates and Subsidiaries	41.905	12.993

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

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks	**13.005**	**594.077**	**3.985**	**427.383**
T.R. Central Bank	-	-	-	-
Domestic Banks	11.097	5.113	3.976	2.571
Foreign Banks	1.908	588.964	9	424.812
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	**13.005**	**594.077**	**3.985**	**427.383**

(*) Includes fee and commission expenses related to cash loans.

b) Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	30.608	28.467

c) Information on interest expense paid to securities issued

As of June 30, 2019 interest paid to securities issued is TL 661.697 (June 30, 2018 – TL 385.218).

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	-	10.045	-	327	-	-	-	10.372
Saving Deposits	18	512.013	1.701.195	190.719	160.082	250.570	-	2.814.597
Public Sector Deposits	-	51	325	84	6	8	-	474
Commercial Deposits	352	491.607	502.865	73.734	25.750	28.083	-	1.122.391
Other Deposits	-	9.267	81.183	966	1.799	1.025	-	94.240
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**370**	**1.022.983**	**2.285.568**	**265.830**	**187.637**	**279.686**	**-**	**4.042.074**
Foreign Currency								
Deposits	2	30.142	313.581	30.634	23.794	17.092	-	415.245
Bank Deposits	300	35.379	16.671	2.787	775	-	-	55.912
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	719	-	-	-	-	-	719
Total	**302**	**66.240**	**330.252**	**33.421**	**24.569**	**17.092**	**-**	**471.876**
Grand Total	**672**	**1.089.223**	**2.615.820**	**299.251**	**212.206**	**296.778**	**-**	**4.513.950**

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

Information on maturity structure of interest expense on deposits (Prior Period)

		Time Deposit						
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	-	8.686	143	353	-	-	-	9.182
Saving Deposits	-	172.965	1.157.742	64.344	35.270	78.924	-	1.509.245
Public Sector Deposits	-	235	939	84	3	4	-	1.265
Commercial Deposits	-	194.318	193.798	14.599	34.545	47.401	-	484.661
Other Deposits	-	2.874	14.255	2.144	1.758	38	-	21.069
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**-**	**379.078**	**1.366.877**	**81.524**	**71.576**	**126.367**	**-**	**2.025.422**
Foreign Currency								
Deposits	1	20.528	298.446	19.991	22.252	11.295	-	372.513
Bank Deposits	150	29.795	9.030	407	97	-	-	39.479
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	633	-	-	-	-	-	633
Total	**151**	**50.956**	**307.476**	**20.398**	**22.349**	**11.295**	**-**	**412.625**
Grand Total	**151**	**430.034**	**1.674.353**	**101.922**	**93.925**	**137.662**	**-**	**2.438.047**

e) Information on interest expense on repurchase agreements

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Interest Expense on Repurchase Agreements (*)	79.061	100.444	90.349	58.731

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

f) Information on lease expenses

	Current Period	**Prior Period**
Finance Lease Expenses	36.449	240

g) Information on interest expense on factoring payables

None (June 30, 2018 – None).

3. Information on dividend income

	Current Period	**Prior Period**
Financial Derivative Assets at Fair Value through Profit/Loss (FVTPL)	-	-
From Financial Assets at Fair Value through Profit and Loss	-	-
From Financial Assets at Fair Value through Other Comprehensive Income	-	-
Other	51.187	50.233
Total	**51.187**	**50.233**

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

4. Information on trading income/loss

	Current Period	Prior Period
Trading Income	**9.206.669**	**8.354.363**
Gains on Capital Market Operations	47.534	19.950
Derivative Financial Instruments	7.239.342	5.485.016
Foreign Exchange Gains	1.919.793	2.849.397
Trading Loss (-)	**9.573.269**	**9.147.132**
Losses on Capital Market Operations	34.939	10.977
Losses on Derivative Financial Instruments	7.457.490	5.560.248
Foreign Exchange Losses	2.080.840	3.575.907
Net Trading Income/Loss	**(366.600)**	**(792.769)**

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. Expected credit losses and other provision expenses

	Current Period	Prior Period
Expected Credit Loss	**1.041.962**	**547.992**
12 month expected credit loss (stage 1)	14.542	(73.281)
Significant increase in credit risk (stage 2)	364.461	234.052
Non-performing loans (stage 3)	662.959	387.221
Marketable Securities Impairment Expense	**(17.647)**	**4.504**
Financial Assets at Fair Value through Profit or Loss	-	2.511
Financial Assets at Fair Value through Other Comprehensive Income	(17.647)	1.993
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	**12.960**	**83.919**
Total	**1.037.275**	**636.415**

7. Information on other operating expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits (*)	13.491	9.251
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	180.455	67.822
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	62.022	57.485
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	540.509	555.044
Leasing Expenses Related to TFRS 16 Exemptions	2.021	114.210
Maintenance Expenses	120.921	75.017
Advertisement Expenses	42.522	64.001
Other Expenses	375.045	301.816
Loss on Sales of Assets	34	2
Other(**)	224.807	202.169
Total	**1.021.318**	**891.773**

(*) Includes "Personnel Expenses" that not exist in the income statement "Other Operating Expenses" line

(**) Comprising repayments amounting to TL 2.952 (June 30, 2018: TL 5.605) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income.

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

For the period ended June 30, 2019, net interest income in regards to continued operations of TL 3.341.845 (June 30, 2018 – TL 3.372.082), net fees and commission income of TL 1.289.373 (June 30, 2018 – TL 970.377) and other operating income of TL 20.423 (June 30, 2018 – TL 29.643) 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 June 30, 2019, the Bank has TL 140.943 recorded tax charge (June 30, 2018 – TL 382.239) and a deferred tax income of TL 318.715 (June 30, 2018– TL 82.233 deferred tax expense) from its continuing operations.

9.2. Explanations on operating profit/loss after taxes

None (June 30, 2018– None).

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

Net profit of the Bank from continued operations is TL 1.279.673 (June 30, 2018 – TL 1.133.036).

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 (June 30, 2018 – 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.

V. Explanations And Disclosures Related To Statement of Changes in Shareholders' Equity

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

VI. Explanations And Disclosures Related To Cash Flows Statements

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

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

SECTION FIVE

VII. Explanations And Disclosures Related To The Bank's Risk Group

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

1.1. As of June 30, 2019, the Bank's risk group has deposits, cash and non-cash loans at the Bank amounting to TL 417.752 (December 31, 2018 – TL 423.344) deposit and TL 405.865 (December 31, 2018- TL 549.999) cash loans and TL 21.795 (December 31, 2018 – TL 20.898) 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	548.148	12.011	1.755	-	96	8.887
Balance at the End of the Period	404.514	12.685	1.304	-	47	9.110
Interest and Commission Income	41.905	88	-	-	349	37

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	330.935	7.166	613	-	146	6.441
Balance at the End of the Period	548.148	12.011	1.755	-	96	8.887
Interest and Commission Income(***)	12.993	64	-	20	16	28

(*) 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 June 30, 2018 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	264.237	98.120	-	-	159.107	172.990
Balance at the End of the Period	196.135	264.237	-	-	221.617	159.107
Interest on deposits(***)	30.608	28.467	-	-	8.841	10.991

(*) 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 June 30, 2018 balance.

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

1.3. Information on forward and option agreements and similar agreements made with the 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 Measured at Fair Value through Profit/Loss						
Beginning of the Period	1.569.213	470.862	-	1.046		-
End of the Period	1.412.965	1.569.213	-	-	-	-
Total Income/Loss(***)	(65.146)	13.964	-	37	-	57
Transactions for Hedging Purposes						
Beginning of the Period	1.100.854	-				
End of the Period	1.301.234	1.100.854	-	-	-	-
Total Income/Loss(***)	20.607	-	-	-	-	-

(*) 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 June 30, 2018 balance.

1.4. Information on benefits provided to top management

As of June 30, 2019, the total amount of remuneration and bonuses paid to top management of the Bank is TL 95.050 (December, 2018 - TL 90.436).

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 June 30, 2019, cash loans of the risk group represented 0,4% of the Bank's total cash loans (December 31, 2018 – 0,6%), the deposits represented 0,4% of the Bank's total deposits (December 31, 2018 – 0,8%) and derivative transactions represented 0,7% of the Bank's total derivative transactions (December 31, 2018 – 0,7%).

2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts

The Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş. As of June 30, 2019, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TL 20.950 (December 31, 2018 - TL 24.623) 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. 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 issuances of the Bank after the balance sheet date are as follows:

Date	Currency	Nominal	Interest Rate (%)	Due Date
01.07.2019	TL	39.842	23,20	38
02.07.2019	TL	103.555	23,00	37
05.07.2019	TL	172.800	22,40	70
05.07.2019	TL	108.100	22,80	32
05.07.2019	TL	234.703	23,00	32
08.07.2019	USD	150.000	6,88	1888
10.07.2019	TL	241.900	22,00	57
11.07.2019	TL	16.640	22,00	40
12.07.2019	TL	262.250	22,15	70
18.07.2019	TL	176.200	21,30	49
19.07.2019	TL	275.800	21,00	70
24.07.2019	TL	93.600	20,00	43
26.07.2019	TL	232,300	19,40	70

2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users and foreign operations of the bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

None.

SECTION SIX

INDEPENDENT AUDITOR'S LIMITED REPORT

I. Explanations on the Independent Review Report

The unconsolidated financial statements for the period ended June 30, 2019 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's report dated July 30, 2019 is presented preceding the unconsolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2018 – None).

SECTION SEVEN

UNCONSOLIDATED INTERIM ACTIVITY REPORT

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

Dear Shareholders,

As we wrap up the first half of 2019, we believe that we have largely left behind the volatilities experienced last year with the support of measures taken, and upon the recovery of the global conditions.

Monetary tightening steps by the central banks of developed countries had a negative impact on the markets last year. As a result, foreign exchange rates and inflation rose in Turkey, where the CBRT (Central Bank of Turkey) took significanttightening steps in monetary policy. Furthermore, the economy administration particularly focused on rebalancing and stability in the New Economy Program, rather than growth.

The global growth trend experienced a slowdown from the second half of last year, which seems to have paved the way for expansionary monetary policy by the central banks of developed countries in the upcoming period. This stance will undoubtedly support developing countries and Turkey in terms of capital flows.

Driven by the measures taken and the global liquidity conditions, the inflation rate was reduced to 15.7% in June, from around 20% at the beginning of the year. Inflation will continue to decline in the upcoming period, as our projections point to a possibility that inflation may drop below 10% level in September-October. On account of this improvement, the CBRT cut the policy rate by 425 bps in the July. We believe that the rate cut cycle will resume in a gradual mannerthroughout the rest of the year, and thus allow the interest rates to subside and the slowing growth trends to recover in the second half of the year.

Another positive outcome of the economic measure is observed in the external deficit. The current account deficit to GDP ratiofell to 0.3% in May, from 5.6% in 2017. We estimate that the 12-month cumulative current account balance will see a surplus for the first time since 2002, which will pave the way towards a healthier economic recovery.

QNB Finansbank maintained its successful growth in the first half of 2019. Driven by the strength of our principal shareholder QNB (Qatar National Bank), our bank continues to further contribute to the economy of our country each day.
As of June 30, 2019, the total assets of our Bank increased by 9 percent compared to the year-end of 2018, reaching TL 171 billion 203 million, while net loans rose by 6 percent to TL 100 billion 63 million, and customer deposits grew by 10 percent to TL 91 billion 695 million. Our bank's net period profit realized at TL 1 billion 280 million.

On the other hand, our ongoing capital strength allows QNB Finansbank to continue its commitment in corporate social responsibility projects. We continue to launch critical projects with invaluable contributions of our volunteering bankers within our "Small Hands Big Dreams" Platform aimed at preparing our children for the future.

Our esteemed financier colleagues and stakeholders have undoubtedly contributed to this steady growth at QNB Finansbank. I would like to once again express my heartfelt gratitude to everyone who has contributed to this achievement.

Kindest regards,
Ömer A. Aras
Chairman of the Board of Directors
QNB Finansbank A.Ş

Message by the General Manager

Dear Shareholders and Members of the Board,

QNB Finansbank sustained the steady growth curve in the second half of 2019.

As of June 30, 2019, the Bank's total assets increased by 9%, compared to the year-end 2018, reaching TL 171 billion 203 million, while net loans grew by 6 percent to TL 100 billion 63 million, and customer deposits rose by 10 percent to TL 91 billion 695 million.

In the first half of 2019, the net interest income realized at TL 3 billion 342 million, while net fee and commission income rose by 33 percent, compared to the same period of 2018, to TL 1 billion 289 million. The Bank's profit before tax amounted to TL 1 billion 457 million, while net period profit reached TL 1 billion 280 million. Total equity rose by 3 percent compared to the year-end 2018, reaching TL 14 billion 977 million.

On top of our investments in the field of retail banking, we developed products that offer key solutions including export, digital banking and e-invoice collateralized loans for SMEs in the first half of 2019. We had a major role in paving the way for international opportunities for women entrepreneurs across the banking sector with our Women's Entrepreneur Export Package. We brought together all of the sectors and large corporations on a common ground in order to meet the financing needs of small-scale businesses in particular, through our e-Invoice collateralized SME loans.

We added our brand new technological product Q to our portfolio of projects that helped us achieve many firsts in the banking sector. Marking another first in the sector as a vital app, Q now makes it possible for a special assistant to keep track of the financial needs of our customers.

In 2019, we strengthen this achievement, achieved on the back of invaluable contribution by our bankers through the social responsibility projects that we run for children. At QNB Finansbank, we have been carrying out coding training sessions, pioneered since 2015, this year we launched the "Tiny Hands Write Code" Project with Habitat. We aim to reach a total of 3,000 students in 22 cities by the end of the year with this project, which has organized trainings for over 1,000 students across 14 cities since March 2019.

Launched in 2018, the "QNB Finansbank TALES Math Museum Mobile Track" project continued into 2019. We managed to reach over 80,000 children across 32 cities with this project.

QNB Finansbank will continue to undertake projects that train children in many areas, from coding to math, from art to cultural development in 2019.

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

Yours sincerely,
Temel Güzeloğlu
CEO, QNB Finansbank A.Ş.

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

Summary Financial Belonging to the Period of June 30, 2019

Principal Financial Indicators (Million TL)	**June 30, 2019**	**December 31, 2018**
Net Loans	100.063	94.018
Securities	25.508	21.368
Total Assets	171.203	157.416
Customer Deposits	91.695	83.413
Equity	14.977	14.572
Principal Financial Indicators (Million TL)	**June 30, 2019**	**June 30, 2018**
Net interest income	3.342	3.372
Net fees and commission income	1.289	970
Provision loans and other Receivables(-)	(1.037)	(636)
Profit before tax	**1.457**	**1.433**
Tax Provision	(178)	(300)
Net profit for the period	**1.280**	**1.133**

As of June 30, 2019 total assets of Bank increased by 9% compared with the end of the year 2018 and reached as TL 171 billion 203 million. When compared with the end of the year 2017, net loans increased by 6% and reached TL 100 billion 63 million while Customer Deposits increased by 10% and reached up to TL 91 billion 695 million.

In the first six months of 2019, net interest income was realized as 3 billion 342 million TL, while net fees and commissions increased by 33 percent compared to the same period of the previous year and reached 1 billion 289 million TL. The Bank's pre-tax profit was TL 1 billion 457 million, while net profit for the period was TL 1 billion 280 million.

As of June 30, 2019, total unconsolidated shareholders' equity increased by 3% and reached up to TL 14 billion 977 million. As of June 30, 2019 capital adequacy ratio of the Bank was 15,59%.

As of June 30, 2019 QNB Finansbank has 12.350 personnel and 543 branches.

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

Assets:

The Bank maintained its customer-oriented activities during the year 2019 and continued to grow mainly in corporate and commercial loans. While total net loans were realized as 100 billion 63 million TL with a rise of 6% in the second quarter of the year, total assets increased by 9% and reached 171 billion 203 million TL. In 2018, the Bank continued to grow corporate credits (Corporate, Commercial, SME and Working Capital Loans), which strategically emphasized, and realized an 8% increase in corporate loans compared to the end of 2018.

Liabilities:

Total customer deposits of the Bank increased by 10% and reached TL 91 billion 695 million and shareholders' equity increased by 3% and reached TL 14 billion and 977 million.

Profitability:

Net interest income decreased by 1% and reached TL 3 billion 342 million and net fees and commission income has increased by 33% as TL 1 billion 289 million. Profit before tax of the Bank amounts to TL 1 billion 457 million and the net profit for the period is TL 1 billion 280 million.

Solvency:

Due to its strong capital structure and high shareholders' equity profitability, QNB Finansbank has a sound financial structure. Bank has utilized its capital efficiently for its banking activities and has maintained its profitability of shareholders' equity. When taking into consideration of its funding structure; beside large deposit base that QNB Finansbank has, The Bank has also funded its loans by using long-term external sources. Bank has a quite great cost advantage due to benefiting from such various funding resources and at the same time it is minimizing the risks arising from differences in the maturity dates.As having a significant place in the Turkish financial markets; QNB Finansbank with its strong financial structure also proves its credibility by the high ratings that received from the independent rating firms.

General Grants realized during the Period:

General grants realized as of June 30, 2019 was TL 329.