QNB FİNANSBANK ANONİM ŞİRKETİ

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

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

INTERIM REVIEW REPORT ON CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors of QNB Finansbank Anonim Şirketi

Introduction

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

Scope of Review

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

Conclusion

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

Report on other regulatory requirements arising from legislation

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

Additional paragraph for convenience translation to English:

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

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

Hatice Dilek Çilingir Köstem
SMMM, Partner

July 30, 2019
Istanbul, Turkey

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

The Parent Bank's;

Address of the Head Office	: Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL
Phone number	: (0212) 318 50 00
Facsimile number	: (0212) 318 56 48
Web page	: www.qnbfinansbank.com
E-mail address	: investor.relations@qnbfinansbank.com

The consolidated financial report for the six month period 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 PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES OF THE PARENT BANK
- INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
- INTERIM CONSOLIDATED ACTIVITY REPORT

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

Subsidiaries

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

Entities Under Common Control (Joint Ventures)

1. Cigna Finans Emeklilik ve Hayat Anonim Şirketi

Structured Entities

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

The accompanying consolidated interim financial statements and related disclosures and footnotes for the six month period then 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 guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying consolidated interim financial statements are presented in **thousands of Turkish Lira (TL)**.

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

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

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

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SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

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

99,88% of shares of Parent Bank are controlled by Qatar National Bank as of 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 Director and Executive Vice Presidents; Any Changes, and the Information about the Parent Bank Shares They Hold and Their Responsibilities

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

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

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

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

The Parent Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets, securities operations and credit card operations. In addition, the Parent Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of June 30, 2019, the Parent Bank operates through 541 domestic (December 31, 2018 – 540), 1 foreign (December 31, 2018 – 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2018 – 1) branches. As of June 30, 2019, the Group has 12.806 employees (December 31, 2018 – 12.751 employees).

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

Parent Bank's joint venture Cigna Finans Emeklilik 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 joint ventures are not consolidated to accompanying 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 Parent Bank does not have material control and presence over it.

All other subsidiaries are fully consolidated.

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

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)
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(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF BALANCE SHEET
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2019
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. CONSOLIDATED 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)**		**16.390.045**	**28.841.863**	**45.231.908**	**18.722.660**	**22.505.832**	**41.228.492**
1.1	**Cash and Cash Equivalents**		**3.360.409**	**21.832.304**	**25.192.713**	**2.500.305**	**17.725.314**	**20.225.619**
1.1.1	Cash and Balances with The Central Bank	(1)	3.097.143	20.282.778	23.379.921	1.822.718	16.688.725	18.511.443
1.1.2	Banks	(3)	4.733	1.549.723	1.554.456	205.463	1.036.589	1.242.052
1.1.3	Receivables From Money Market	(4)	266.184	-	266.184	509.711	-	509.711
1.1.4	Expected Credit Losses (-)		7.651	197	7.848	37.587	-	37.587
1.2	**Financial Assets Measured at Fair Value through Profit/Loss**	**(2)**	**108.831**	**135.367**	**244.198**	**42.381**	**113.390**	**155.771**
1.2.1	Public Sector Debt Securities		40.353	8.195	48.548	19.616	2.811	22.427
1.2.2	Equity Securities		21.830	-	21.830	7.320	-	7.320
1.2.3	Other Financial Assets		46.648	127.172	173.820	15.445	110.579	126.024
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income**	**(5)**	**4.104.556**	**5.869.256**	**9.973.812**	**4.547.355**	**3.898.418**	**8.445.773**
1.3.1	Public Sector 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		1.517	23.274	24.791	1.718	21.260	22.978
1.4	**Derivative Financial Assets**	**(12)**	**8.816.249**	**1.004.936**	**9.821.185**	**11.632.619**	**768.710**	**12.401.329**
1.4.1	Derivative Financial Assets at Fair Value Through Profit/Loss		6.941.576	998.433	7.940.009	8.929.754	657.292	9.587.046
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1.874.673	6.503	1.881.176	2.702.865	111.418	2.814.283
II.	**FINANCIAL ASSETS MEASURED AT AMORTİZED COST (Net)**		**76.723.823**	**45.172.636**	**121.896.459**	**75.233.583**	**37.928.092**	**113.161.675**
2.1	**Loans**	**(6)**	**74.519.404**	**34.010.667**	**108.530.071**	**72.713.180**	**29.200.104**	**101.913.284**
2.2	**Lease Receivables**	**(11)**	**1.172.116**	**4.196.247**	**5.368.363**	**1.381.904**	**3.706.195**	**5.088.099**
2.3	**Factoring Receivables**	**(7)**	**1.201.066**	**121.824**	**1.322.890**	**868.619**	**104.385**	**973.004**
2.4	**Other Financial Assets Measured at Amortized Cost**	**(8)**	**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 (-)**		**8.688.665**	**115.869**	**8.804.534**	**7.646.625**	**98.280**	**7.744.905**
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
3.1	Held for sale		-	-	-	-	-	-
3.2	Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS (Net)**		**175.485**	**-**	**175.485**	**186.645**	**-**	**186.645**
4.1	**Investment in Associates (Net)**	**(9)**	**5.982**	**-**	**5.982**	**5.982**	**-**	**5.982**
4.1.1	Equity Method Associates		-	-	-	-	-	-
4.1.2	Unconsolidated		5.982	-	5.982	5.982	-	5.982
4.2	**Investment in Subsidiaries (Net)**		**38.038**	**-**	**38.038**	**38.054**	**-**	**38.054**
4.2.1	Unconsolidated Financial Investments		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Investments		38.038	-	38.038	38.054	-	38.054
4.3	**Equity Under Common Control (Joint Ventures) (Net)**	**(10)**	**131.465**	**-**	**131.465**	**142.609**	**-**	**142.609**
4.3.1	Equity method associates		128.665	-	128.665	139.809	-	139.809
4.3.2	Unconsolidated		2.800	-	2.800	2.800	-	2.800
V.	**TANGIBLE ASSETS (Net)**		**3.259.827**	**67**	**3.259.894**	**2.868.939**	**61**	**2.869.000**
VI.	**INTANGIBLE ASSETS (Net)**		**439.282**	**-**	**439.282**	**411.200**	**-**	**411.200**
6.1	Goodwill		-	-	-	-	-	-
6.2	Others		439.282	-	439.282	411.200	-	411.200
VII.	**INVESTMENT PROPERTIES (Net)**	**(13)**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**	**(14)**	**48.055**	**-**	**48.055**	**77.001**	**-**	**77.001**
IX.	**DEFERRED TAX ASSET**	**(14)**	**497.018**	**-**	**497.018**	**618.081**	**-**	**618.081**
X.	**OTHER ASSETS**	**(16)**	**2.375.266**	**3.641.125**	**6.016.391**	**2.747.944**	**2.200.196**	**4.948.140**
	TOTAL ASSETS		**99.908.801**	**77.655.691**	**177.564.492**	**100.866.053**	**62.634.181**	**163.500.234**

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF BALANCE SHEET
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2019
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

			Reviewed 30.06.2019			Audited 31.12.2018(*)		
		Section 5 Note II	TL	FC	TOTAL	TL	FC	TOTAL
I.	**DEPOSITS**	**(1)**	**45.633.497**	**49.440.765**	**95.074.262**	**44.763.096**	**42.063.120**	**86.826.216**
II.	**FUNDS BORROWED**	**(3)**	**1.672.002**	**20.185.358**	**21.857.360**	**1.102.021**	**19.450.212**	**20.552.233**
III.	**MONEY MARKET BORROWINGS**	**(4)**	**1.934.220**	**7.353.842**	**9.288.062**	**711.126**	**4.622.546**	**5.333.672**
IV.	**SECURITIES ISSUED (NET)**	**(5)**	**5.567.076**	**7.906.209**	**13.473.285**	**4.084.174**	**7.765.903**	**11.850.077**
4.1	Bills		4.906.457	-	4.906.457	3.482.767	388.754	3.871.521
4.2	Asset Backed Securities		508.718	-	508.718	436.650	-	436.650
4.3	Bonds		151.901	7.906.209	8.058.110	164.757	7.377.149	7.541.906
V.	**FUNDS**		-	-	-	-	-	-
5.1	Borrowers' Funds		-	-	-	-	-	-
5.2	Others		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS (NET)**		-	-	-	-	-	-
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**3.913.361**	**1.583.788**	**5.497.149**	**5.611.501**	**838.688**	**6.450.189**
7.1	Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net)	(2)	3.741.507	1.234.530	4.976.037	5.451.826	662.190	6.114.016
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	171.854	349.258	521.112	159.675	176.498	336.173
VIII.	**FACTORING PAYABLES**		-	-	-	-	-	-
IX.	**LEASE PAYABLES (Net)**	**(7)**	**347.714**	**27.383**	**375.097**	-	-	-
X.	**PROVISIONS**	**(9)**	**776.455**	-	**776.455**	**826.061**	-	**826.061**
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		416.578	-	416.578	452.523	-	452.523
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		359.877	-	359.877	373.538	-	373.538
XI.	**CURRENT TAX LIABILITY**	**(10)**	**157.355**	-	**157.355**	**159.866**	-	**159.866**
XII.	**DEFERRED TAX LIABILITY**		-	-	-	-	-	-
XIII.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	**(11)**	-	-	-	-	-	-
13.1	Held for Sale		-	-	-	-	-	-
13.2	Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**	**(12)**	-	**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**		**4.486.162**	**5.930.910**	**10.417.072**	**5.189.832**	**6.892.547**	**12.082.379**
XVI.	**SHAREHOLDERS' EQUITY**	**(13)**	**16.310.129**	**(935.548)**	**15.374.581**	**15.088.886**	**(485.443)**	**14.603.443**
16.1	Paid-in Capital		3.350.000	-	3.350.000	3.350.000	-	3.350.000
16.2	Capital Reserves		714	-	714	714	-	714
16.2.1	Share Premium	(14)	714	-	714	714	-	714
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		-	-	-	-	-	-
16.3	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		(54.055)	85.546	31.491	(52.953)	44.291	(8.662)
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		271.483	(1.021.094)	(749.611)	430.556	(529.734)	(99.178)
16.5	Profit Reserves		11.353.778	-	11.353.778	8.781.070	-	8.781.070
16.5.1	Legal Reserves		721.459	-	721.459	634.516	-	634.516
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		10.632.319	-	10.632.319	8.146.554	-	8.146.554
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit/Loss		1.381.099	-	1.381.099	2.572.708	-	2.572.708
16.6.1	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Period's Net Profit/Loss		1.381.099	-	1.381.099	2.572.708	-	2.572.708
16.7	Minority Interest		7.110	-	7.110	6.791	-	6.791
	TOTAL LIABILITIES		**80.797.971**	**96.766.521**	**177.564.492**	**77.536.563**	**85.963.671**	**163.500.234**

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OFF BALANCE SHEET
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2019

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

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

			Reviewed 30.06.2019			Audited 31.12.2018		
		Section 5 Note III	**TL**	**FC**	**TOTAL**	**TL**	**FC**	**TOTAL**
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**121.938.296**	**184.989.008**	**306.927.304**	**130.725.576**	**177.963.434**	**308.689.010**
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**		**72.064.918**	**4.235.244**	**76.300.162**	**63.715.808**	**3.974.340**	**67.690.148**
2.1.	Irrevocable commitments	(1)	42.557.372	3.940.725	46.498.097	36.609.777	2.179.323	38.789.100
2.1.1.	Forward asset purchase commitments		1.748.360	3.028.581	4.776.941	427.989	1.718.222	2.146.211
2.1.2.	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4.	Loan granting commitments		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		29.507.546	294.519	29.802.065	27.106.031	1.795.017	28.901.048
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		65.988	294.519	360.507	57.055	116.259	173.314
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(5), (6)**	**39.625.703**	**164.738.390**	**204.364.093**	**58.264.951**	**159.044.665**	**217.309.616**
3.1	Derivative financial instruments for hedging purposes		16.261.666	48.221.263	64.482.929	18.063.782	47.418.740	65.482.522
3.1.1	Fair value hedge		6.994.991	25.880.418	32.875.409	6.676.382	17.556.538	24.232.920
3.1.2	Cash flow hedge		9.266.675	22.340.845	31.607.520	11.387.400	29.862.202	41.249.602
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		23.364.037	116.517.127	139.881.164	40.201.169	111.625.925	151.827.094
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	32.179.059	99.168.311	131.347.370
3.2.2.1	Foreign currency swap-buy		6.330.211	29.839.787	36.169.998	14.037.137	30.588.966	44.626.103
3.2.2.2	Foreign currency swap-sell		11.477.940	25.055.447	36.533.387	16.501.922	28.568.691	45.070.613
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)**		**764.909.390**	**188.806.990**	**953.716.380**	**739.031.665**	**166.377.574**	**905.409.239**
IV.	**ITEMS HELD IN CUSTODY**		**75.735.621**	**8.436.278**	**84.171.899**	**70.978.459**	**7.436.300**	**78.414.759**
4.1.	Assets under management		4.665.350	7.095	4.672.445	2.215.608	15.581	2.231.189
4.2.	Investment securities held in custody		30.244.390	3.164.091	33.408.481	34.063.877	2.863.101	36.926.978
4.3.	Checks received for collection		5.384.611	878.593	6.263.204	4.428.561	688.567	5.117.128
4.4.	Commercial notes received for collection		1.684.530	384.826	2.069.356	1.516.634	342.062	1.858.696
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		33.756.740	4.001.673	37.758.413	28.753.779	3.526.989	32.280.768
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**413.808.175**	**111.248.679**	**525.056.854**	**406.521.737**	**96.312.753**	**502.834.490**
5.1.	Marketable securities		3.466.143	8.779.858	12.246.001	2.540.568	8.044.413	10.584.981
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)		**886.847.686**	**373.795.998**	**1.260.643.684**	**869.757.241**	**344.341.008**	**1.214.098.249**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2019 (STATEMENT OF INCOME/LOSS)
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Section 5 Note 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)**	**9.787.701**	**5.005.682**	**7.137.276**	**3.756.519**
1.1	Interest income on loans		7.716.952	3.953.151	5.815.577	3.061.846
1.2	Interest income on reserve deposits		130.369	71.591	85.660	46.088
1.3	Interest income on banks		119.791	71.855	121.290	59.816
1.4	Interest income on money market transactions		64.882	57.698	29.282	9.055
1.5	Interest income on securities portfolio		1.342.872	640.198	739.316	396.466
1.5.1	Financial assets measured at FVTPL		6.503	5.454	2.319	503
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		260.013	133.147	217.972	116.663
1.7	Other interest income		152.822	78.042	128.179	66.585
II.	**INTEREST EXPENSE (-)**	**(2)**	**6.337.365**	**3.271.384**	**3.681.132**	**1.956.491**
2.1	Interest on deposits		4.496.272	2.237.640	2.435.217	1.298.167
2.2	Interest on funds borrowed		754.438	417.698	563.793	322.164
2.3	Interest on money market transactions		230.980	159.346	181.936	88.184
2.4	Interest on securities issued		811.707	436.181	478.737	233.465
2.5	Interests on leasings		33.804	15.448	240	124
2.6	Other interest expenses		10.164	5.071	21.209	14.387
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**3.450.336**	**1.734.298**	**3.456.144**	**1.800.028**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**1.342.553**	**685.506**	**1.033.283**	**526.683**
4.1	Fees and commissions received		1.665.602	850.082	1.252.695	644.336
4.1.1	Non-cash loans		81.181	42.442	50.419	26.010
4.1.2	Others		1.584.421	807.640	1.202.276	618.326
4.2	Fees and commissions paid (-)		323.049	164.576	219.412	117.653
4.2.1	Non-cash loans		976	435	808	400
4.2.2	Others		322.073	164.141	218.604	117.253
V.	**DIVIDEND INCOME**	**(3)**	**2.904**	**2.013**	**3.594**	**3.112**
VI.	**NET TRADING INCOME/LOSS (Net)**	**(4)**	**(275.174)**	**(171.427)**	**(692.954)**	**(331.810)**
6.1	Trading account gain/losses		19.660	14.542	9.485	4.368
6.2	Gain/losses from derivative transactions		(135.180)	(72.855)	13.196	263.622
6.3	Foreign exchange gain/losses		(159.654)	(113.114)	(715.635)	(599.800)
VII.	**OTHER OPERATING INCOME**	**(5)**	**30.734**	**21.239**	**36.327**	**18.275**
VIII.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)**		**4.551.353**	**2.271.629**	**3.836.394**	**2.016.288**
IX.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**1.037.304**	**503.043**	**554.661**	**275.538**
X.	**OTHER PROVISION LOSSES (-)**		**12.349**	**2.446**	**82.753**	**65.471**
XI.	**PERSONNEL EXPENSES (-)**		**888.426**	**464.512**	**726.513**	**374.516**
XII.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**1.059.242**	**552.690**	**924.872**	**466.952**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**1.554.032**	**748.938**	**1.547.595**	**833.811**
XIV.	**INCOME RESULTED FROM MERGERS**		-	-	-	-
XV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**41.258**	**22.916**	**22.666**	**9.548**
XVI.	**GAIN/LOSS ON NET MONETARY POSITION**		-	-	-	-
XVII.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+…+XV)**	**(8)**	**1.595.290**	**771.854**	**1.570.261**	**843.359**
XVIII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	**(9)**	**(213.872)**	**(45.974)**	**(333.141)**	**(176.706)**
18.1	Current tax charge		98.015	116.138	(447.877)	(375.877)
18.2	Deferred tax charge (+)		401.397	(203.993)	478.467	372.318
18.3	Deferred tax credit (-)		(713.284)	41.881	(363.731)	(173.147)
XIX.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)**	**(10)**	**1.381.418**	**725.880**	**1.237.120**	**666.653**
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)**	**1.381.418**	**725.880**	**1.237.120**	**666.653**
25.1	Group’s profit/loss		**1.381.099**	**725.717**	**1.236.705**	**666.447**
25.2	Minority interest		319	163	415	206
	Earnings Per Share		0,0412	0,0217	0,0369	0,0199

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2019
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

IV. CONSOLIDATED STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME

		Reviewed 01.01 – 30.06.2019	Reviewed 01.01 – 30.06.2018
I.	**CURRENT PERIOD PROFIT/LOSS**	**1.381.418**	**1.237.120**
II.	**OTHER COMPREHENSIVE INCOME**	**(610.280)**	**91.645**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**40.153**	**18.736**
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	(1.413)	1.445
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	43.656	18.634
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(2.090)	(1.343)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**(650.433)**	**72.909**
2.2.1	Translation Differences	-	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(192.891)	(433.768)
2.2.3	Gains/losses from Cash Flow Hedges	(650.456)	526.872
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	192.914	(20.195)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**771.138**	**1.328.765**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIXMONTH PERIOD THEN ENDED JUNE 30, 2019

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
	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	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
	Prior Period - 01.01 – 30.06.2018																	
I.	**Balances at Beginning of Period**		**3.350.000**	**714**	**-**	**-**	**-**	**(68.312)**	**21.551**	**-**	**(251.126)**	**231.847**	**7.365.587**	**-**	**1.771.786**	**12.422.047**	**6.294**	**12.428.341**
II.	**Correction made as per TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**88.513**	**-**	**-**	**-**	**(256.303)**	**(167.790)**	**-**	**(167.790)**
2.1	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	88.513	-	-	-	(256.303)	(167.790)	-	(167.790)
III.	**Adjusted Balances at Beginning of Period (I+II)**		**3.350.000**	**714**	**-**	**-**	**-**	**(68.312)**	**21.551**	**-**	**(162.613)**	**231.847**	**7.365.587**	**-**	**1.515.483**	**12.254.257**	**6.294**	**12.260.551**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**1.127**	**17.609**	**-**	**(340.951)**	**413.860**	**-**	**-**	**1.236.705**	**1.328.350**	**415**	**1.328.765**
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	**1.415.483**	-	**(1.515.483)**	**(100.000)**	-	**(100.000)**
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	(100.000)	(100.000)	-	(100.000)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	1.415.483	-	(1.415.483)	-	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV…+X+XI)		**3.350.000**	**714**	**-**	**-**	**-**	**(67.185)**	**39.160**	**-**	**(503.564)**	**645.707**	**8.781.070**	**-**	**1.236.705**	**13.482.607**	**6.709**	**13.489.316**

							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	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
	Current Period - 01.01 – 30.06.2019																	
I.	**Balances at Beginning of Period**		**3.350.000**	**714**	**-**	**-**	**-**	**(52.953)**	**44.291**	**-**	**(496.342)**	**397.164**	**8.781.070**	**-**	**2.572.708**	**14.596.652**	**6.791**	**14.603.443**
II.	**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**	**-**	**-**	**-**	**(52.953)**	**44.291**	**-**	**(496.342)**	**397.164**	**8.781.070**	**-**	**2.572.708**	**14.596.652**	**6.791**	**14.603.443**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**(1.102)**	**41.255**	**-**	**(143.695)**	**(506.738)**	**-**	**-**	**1.381.099**	**770.819**	**319**	**771.138**
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**		-	-	-	-	-	-	-	-	-	-	**2.572.708**	-	**(2.572.708)**	-	-	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	2.572.708	-	(2.572.708)	-	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV…+X+XI)		**3.350.000**	**714**	**-**	**-**	**-**	**(54.055)**	**85.546**	**-**	**(640.037)**	**(109.574)**	**11.353.778**	**-**	**1.381.099**	**15.367.471**	**7.110**	**15.374.581**

(*)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 consolidated financial statements.

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2019
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VI. CONSOLIDATED CASH FLOW STATEMENT

		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 (+)**		**12.937.625**	**4.357.821**
1.1.1	Interest received (+)		9.447.869	6.044.551
1.1.2	Interest paid (-)		(6.757.560)	290.313
1.1.3	Dividend received (+)		2.904	3.594
1.1.4	Fees and commissions received (+)		1.667.043	1.253.877
1.1.5	Other income (+)		30.734	36.327
1.1.6	Collections from previously written off loans (+)		668.950	490.036
1.1.7	Payments to personnel and service suppliers (-)		(1.505.641)	(1.336.916)
1.1.8	Taxes paid (-)		445.555	(498.607)
1.1.9	Other (+/-)		8.937.771	(1.925.354)
1.2	**Changes in operating assets and liabilities**		**(7.502.317)**	**(2.149.694)**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss (+/-)		(88.591)	109.489
1.2.2	Net (increase) decrease in due from banks (+/-)		(2.335.208)	(1.997.443)
1.2.3	Net (increase) decrease in loans (+/-)		1.720.556	(4.547.482)
1.2.4	Net (increase) decrease in other assets (+/-)		(69.148)	(1.032.671)
1.2.5	Net increase (decrease) in bank deposits (+/-)		(44.257)	2.250.983
1.2.6	Net increase (decrease) in other deposits (+/-)		(2.317.255)	(552.443)
1.2.7	Net (increase) decrease in financial assets measured at fair value through other comprehensive income (+/-)		-	-
1.2.8	Net increase (decrease) in funds borrowed (+/-)		(4.686.640)	253.942
1.2.9	Net increase (decrease) in matured payables (+/-)		-	-
1.2.10	Net increase (decrease) in other liabilities (+/-)		318.226	3.365.931
I.	**Net cash provided from banking operations (+/-)**		**5.435.308**	**2.208.127**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from / (used in) investing activities (+/-)**		**(3.468.329)**	**(1.403.402)**
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries (-)		-	-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries (+)		-	-
2.3	Fixed assets purchases (-)		(168.287)	228.403
2.4	Fixed assets sales (+)		8.161	(288.508)
2.5	Cash paid for purchase of financial assets measured at fair value through other comprehensive income (-)		(3.053.426)	(1.842.919)
2.6	Cash obtained from sale of financial assets measured at fair value through other comprehensive income (+)		1.956.277	1.118.750
2.7	Cash paid for purchase of Financial Assets Measured at Amortized Cost (-)		(3.369.975)	(988.738)
2.8	Cash obtained from sale of Financial Assets Measured at Amortized Cost (+)		1.250.928	442.242
2.9	Other (+/-)		(92.007)	(72.632)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from / (used in) financing activities (+/-)**		**868.887**	**273.264**
3.1	Cash obtained from funds borrowed and securities issued (+)		3.290.960	3.515.058
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 (-)		(128.663)	-
3.6	Other (+/-)		-	-
IV.	**Effect of foreign currency translation differences on cash and cash equivalents (+/-)**		**(11.000)**	**394.803**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**2.824.866**	**1.472.792**
VI.	**Cash and cash equivalents at the beginning of the period (+)**		**9.184.452**	**6.087.371**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**12.009.318**	**7.560.163**

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

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

Explanation for Convenience Translation to English

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

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

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

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

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

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

The preparation of unconsolidated financial statements in conformity with TFRS requires the use of certain critical accounting estimates by the Parent Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent matters as of the balance sheet date.

These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

2.1. Changes in accounting policies and disclosures

2.1.1. Major new and amended standards and interpretations

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

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

TFRS 16 Leases

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

The Group has started to apply TFRS 16, assets classified under tangible assets as of June 30, 2019 amounted to TL 402.550, lease liability amounted to TL 5.853, financing expense amounted to TL 33.181 and depreciation expense amounted to TL 106.094.

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

1. Strategy For The Use Of Financial Instruments

The major funding sources of the Parent Bank are customer deposits, bond issues and funds borrowed from international markets. The customer deposits bear 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 Parent Bank diverts its placements to assets with high return and sufficient collaterals. The Parent Bank manages the liquidity structure to meet its liabilities when due by diversifying the funding sources and keeping sufficient cash and cash equivalents. The maturity of fund sources and maturity and yield of placements are considered to the extent possible within the current market conditions and a higher return on long-term placements is aimed.

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

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

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

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

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

2. Foreign currency transactions

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

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

	June 30, 2019	December 31, 2018
ABD Doları	5,7665 TL	5,2609 TL
Avro	6,5571 TL	6,0280 TL

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

The foreign currency position of the Parent Bank and the profit / loss from the foreign exchange transactions realized are included in the income statement of foreign exchange gains / losses and income/losses from derivative financial instruments in the income statement. While gain / loss from spot foreign exchange transactions are included in the profit / loss item of foreign exchange gain / loss on balance sheet, profit / loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income / loss statement of derivative financial instruments. Therefore, in order to determine the net profit / loss effects of foreign exchange transactions, two balances should be assessed together. As of June 30, 2019, derivative financial transaction loss amounting to TL 135.180 (June 30, 2018 -TL 13.196 TL derivative financial transaction gain) and excluding net interest expense amounting to TL 565.963 (June 30, 2018, - TL 889.763) arising from derivative transactions from the total foreign exchange loss amounting to TL 159.654 (June 30, 2018- TL 715.635 net exchange loss), net foreign exchange operations profit is TL 271.129 (June 30, 2018- TL 187.324 net foreign exchange income).

2.3. Foreign Associates

None.

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

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

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

		Consolidation Method	Place of Establishment	Subject of Operations	Effective Share of the Group (%)	
					June 30, 2019	December 31, 2018
1.	QNB Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım)	Full consolidation	Turkey	Securities Intermediary Services	100,00	100,00
2.	QNB Finans Portföy Yönetimi A.Ş. (Finans Portföy)	Full consolidation	Turkey	Portfolio Management	100,00	100,00
3.	Hemenal Finansman A.Ş. (Tüketici Finansman)	Full consolidation	Turkey	Consumer Financing	100,00	100,00
4.	QNB Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full consolidation	Turkey	Financial Leasing	99,40	99,40
5.	QNB Finans Faktoring A.Ş. (Finans Faktoring)	Full consolidation	Turkey	Factoring Services	100,00	100,00
6.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Full consolidation	Turkey	Asset Lease	100,00	100,00
7.	Cigna Finans Emeklilik ve Hayat A.Ş. (Cigna Finans Emeklilik)	Equity Method	Turkey	Private Pension and Insurance	49,00	49,00

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

Differences between the accounting policies of subsidiaries and entities under common control and those of the Parent Bank are adjusted, if material. The financial statements of the subsidiaries and entities under common control are prepared as of June 30, 2019.

1. Subsidiaries

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

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

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

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

2. Associates and entities under common control

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

The joint venture is established locally, has its primary operations in private pension and insurance, is controlled jointly with another group with a partnership agreement, and is included in Parent Bank's capital. Subject joint venture is included in consolidated financial statements by using equity method.

Equity method is a method of accounting whereby the book value of the investor's share capital in the subsidiary or the joint venture is either added to or subtracted in proportion with investor's share from the change in the subsidiary's or joint venture's equity within the period. The method also foresees that profit will be deducted from the subsidiary's or joint venture's accordingly recalculated value.

IV. Explanations on Derivative Financial Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

In cash flow hedge accounting:

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

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

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

In fair value hedge accounting:

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

The Parent Bank applies fair value hedge accounting using FX swaps to hedge long term, fixed rate, foreign currency Eurobonds in financial assets measured at fair value through other comprehensive income portfolio against interest rate fluctuations.

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

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

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

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

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

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

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked, adjustments made to the carrying amount of the hedged item are transferred to profit and loss with straight line method for portfolio hedges or with effective interest rate method for micro hedges. In case the hedged item is derecognized, hedge accounting is discontinued and within 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 Parent Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market. Fair value exchage difference adjustment amounting to TL 1.239.537 which is shown in tangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

V. Explanations on Interest Income and Expenses

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

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

If the financial asset is impaired and classified as a non-performing receivable, the Parent Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of “Expected Credit Losses” and “Interest Income From Loans” for such 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 Parent Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

Initial measurement of financial instruments

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

Classification of financial instruments

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

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

Assessment of business model

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

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

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

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

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

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

Other business models:

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

Measurement categories of financial assets and liabilities

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

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

Financial assets at the fair value through profit or loss:

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

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

Financial Assets at Fair Value Through Other Comprehensive Income:

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

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

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

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

In cases where fair value hedge operations cannot be effectively performed as described in TAS 39, fair value hedge accounting is ceased. After fair value accounting is ceased value differences, previously reflected 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 Parent Bank as explained in part IV "Explanations on Derivative Financial Assets and Liabilities", enters into fx swap transactions against TL in order to hedge the possible losses which might arise due to the changes in the fair value of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. The Parent Bank accounts for the hedged loan portfolio at fair value related to hedged risk, the swap transactions used as the hedging instrument at fair value and reflects the related net gain or loss to respective period's income statement.

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

VIII. Explanations on Expected Credit Losses

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

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

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. As of 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. Calculation approach is quite similar with approach mentioned above, but probability of default and loss amount in default ratios estimated for the lifetime of instruments.

Stage 3:

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

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

Calculation of expected credit losses

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

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

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

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

Probability of Default ("PD")

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

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

Loss Given Default ("LGD")

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

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

Exposure at Default ("EAD")

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

Consideration of the Macroeconomic Factors

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

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

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

Calculating the Expected Loss Period

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

Significant increase in credit risk

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

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

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

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

IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of Financial Instruments

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

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

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

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

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

c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

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

e) Restructing and refinancing of financial instruments

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

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

Changes in the original terms of a credit risk can be made in the current contract or through a new contract. Corporate and commercial companies which have been restructured and refinanced can be removed from watchlist when the following conditions are met:

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

- At least 1 years should pass over the date of restructuring (or if it later) the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring / refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing.

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

- Recovery in debt servce.

- At least 1 year should pass over the date restructuring;

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

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

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

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

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

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

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

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 11.720.960 (December 31, 2018– TL 6.488.226).

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

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

XII. Explanations on Assets Held for Sale and Discontinued Operations

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

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

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

XIII. Explanations on Goodwill and Other Intangible Assets

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

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

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

XIV. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

XV. Explanations on Leasing Transactions

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

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

XVI. Explanations on Factoring Receivables

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

XVII. Explanations on Provisions and Contingent Liabilities

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

XVIII. Explanations on Obligations of the Group for Employees Benefits

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

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

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

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

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

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

XIX. Explanations on Taxation

1. Corporate Tax

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

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

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

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

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

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

2. Deferred Taxes

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

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

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

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

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

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of 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.

XX. Additional Explanations on Borrowings

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

XXI. Explanations on Share Issues

The Parent Bank's paid in capital has not been changed for the current period (January 1- December 31, 2018- None).

XXII. Explanations on Confirmed Bills of Exchange and Acceptances

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

XXIII. Explanations on Government Incentives

As of June 30, 2019, the Group does not have any governmental incentives or support (December 31, 2018 – None).

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

XXIV. Explanation on Segment Reporting

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

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

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.

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

Current Period (January 1 – June 30, 2019)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	1.165.738	1.458.629	825.969	3.450.336
Net Fees and Commissions Income	974.944	338.237	29.372	1.342.553
Other Operating Income and Net Trading Expense	19.854	6.235	(270.529)	(244.440)
Dividend Income	-	-	2.904	2.904
Operating Income	**2.160.536**	**1.803.101**	**587.716**	**4.551.353**
Expected Loss Provisions (-)	493.215	680.490	(136.401)	1.037.304
Other Loss Provisions (-)	-	-	12.349	12.349
Personnel Expense (-)	196.161	286.251	406.014	888.426
Other Operating Expenses (-)	858.742	506.036	(305.536)	1.059.242
Gain / Loss on joint venture accounted for at equity method	-	-	41.258	41.258
Profit Before Taxes	**612.418**	**330.324**	**652.548**	**1.595.290**
Tax Provision (-)	**-**	**-**	**-**	**(213.872)**
Net Profit/Loss	**-**	**-**	**-**	**1.381.418**
Total Assets	**34.753.517**	**71.663.273**	**58.712.017**	**177.564.492**
Segment Assets	34.753.517	71.663.273	58.712.017	165.128.807
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	175.485
Undistributed Assets	-	-	-	12.260.200
Total Liabilities	**61.785.406**	**29.709.254**	**53.472.127**	**177.564.492**
Segment Liabilities	61.785.406	29.709.254	53.472.127	144.966.787
Undistributed Liabilities	-	-	-	17.223.124
Equity	-	-	-	15.374.581
Other Segment Accounts	**255.304**	**135.159**	**(84.055)**	**306.408**
Capital Expenditures	42.828	22.673	(8.529)	56.972
Depreciation and Amortization	212.476	112.486	(75.526)	249.436

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

Prior Period (January 1 - June 30, 2018)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	1.082.592	1.240.354	1.133.198	3.456.144
Net Fees and Commissions Income	680.359	323.609	29.315	1.033.283
Other Operating Income and Net Trading Expense	19.384	110.931	(786.942)	(656.627)
Dividend Income	-	-	3.594	3.594
Operating Income	**1.782.335**	**1.674.894**	**379.165**	**3.836.394**
Expected Loss Provisions (-)	178.744	391.525	(15.608)	554.661
Other Loss Provisions (-)	-	-	82.753	82.753
Personnel Expense (-)	156.043	244.472	325.998	726.513
Other Operating Expenses (-)	713.891	399.383	(188.402)	924.872
Gain / Loss on joint venture accounted for at equity method	-	-	22.666	22.666
Profit Before Taxes	**733.657**	**639.514**	**197.090**	**1.570.261**
Tax Provision (-)	**-**	**-**	**-**	**(333.141)**
Net Profit/Loss	**-**	**-**	**-**	**1.237.120**
Other Segment Accounts	**168.528**	**88.131**	**(28.656)**	**228.003**
Capital Expenditures	74.822	39.128	(13.327)	100.623
Depreciation and Amortization	93.706	49.003	(15.329)	127.380

Prior Period (January 1 - December 31, 2018)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Total Assets	**33.583.981**	**66.792.610**	**52.306.155**	**163.500.234**
Segment Assets	33.583.981	66.792.610	52.306.155	152.682.746
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	186.645
Undistributed Assets	-	-	-	10.630.843
Total Liabilities	**56.362.699**	**26.784.970**	**46.230.627**	**163.500.234**
Segment Liabilities	56.362.699	26.784.970	46.230.627	129.378.296
Undistributed Liabilities	-	-	-	19.518.495
Equity	-	-	-	14.603.443

XXV. Profit Reserves and profit distribution

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

2018 Profit Distribution Table:

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

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

XXVI. Earnings Per Share

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

	Current Period	Prior Period
Group’s Net Profit for the Period	1.381.099	1.236.705
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
Earnings per Share	**0,0412**	**0,0369**

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

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

XXVII. Explanations on Other Matters

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

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

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)	8.349.875	-	-	-	-	-
Classified as Held-to-Maturity	-	42.573	2.872	-	(632)	2.240
Classified to Held-to-Maturity	-	(1.720.595)	-	-	-	-
Post-classification book value	-	-	-	6.674.725	-	-
Expected loss provision	-	-	11.124	-	(2.447)	8.677
Loans and Other Receivables Measured at Amortized Cost (Gross)						
Pre-classification value measured at Amortized Cost (**)	85.969.070	-	-	-	-	-
Financial Assets Measured at Fair Value through Profit/Loss	10.579	-	-	-	-	-
Classified to Measured at Amortized Cost	-	10.579	-	-	-	-
Classified from Measured at Fair Value through Profit/Loss	-	(10.579)	-	-	-	-
Post-classification value measured at Amortized cost	-	-	-	85.979.649	-	-
Post-classification value Measured at Fair Value through Profit/Loss	-	-	-	-	-	-
Expected loss provision (*)	(5.113.639)	-	(653.351)	(5.766.990)	442.241	(211.110)
Faktoring Receivables						
Expected loss provision	(41.988)	-	(9.133)	(51.121)	2.009	(7.124)
Lease Receivables						
Expected loss provision	(82.091)	-	(48.805)	(130.896)	10.736	(38.069)

(*)Expected loss provision also includes amounts related to loans and receivables, other receivables and off-balance sheet financial assets.
(**)Pre-classification value measured at Amortized Cost does not cover revenues from financial leasing and factoring.

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

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

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

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

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

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

3. Effects on equity with TFRS 9 transition

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

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

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

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

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

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Consolidated Equity

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks." As of June 30, 2019 Group's total capital has been calculated as TL 22.291.030 (December 31, 2018 - TL 18.994.391), capital adequacy ratio is 15,25% (December 31, 2018 - 14,84%) calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

Components of consolidated shareholders' equity items:

	Current Period June 30, 2019	Amounts subject to treatment before 1/1/2014
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.350.000	
Share issue premiums	714	
Reserves	11.353.778	
Gains recognized in equity as per TAS	111.729	
Profit	1.381.100	
Current Period Profit	1.381.099	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Minorities' Share	7.110	
Common Equity Tier 1 Capital Before Deductions	**16.204.430**	
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	723.403	
Improvement costs for operating leasing	68.720	
Goodwill (net of related tax liability)	402.788	402.788
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	**1.194.911**	
Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption	426.774	
Total Common Equity Tier 1 Capital	**15.436.293**	

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

	Current Period June 30, 2019	Amounts subject to treatment before 1/1/2014
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	3.027.413	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	**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	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**18.463.706**	
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	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.625.300	
Tier II Capital Before Deductions	**3.845.403**	
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	**3.845.403**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**22.309.109**	
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 does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	

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

	Current Period June 30, 2019	Amounts subject to treatment before 1/1/2014
TOTAL CAPITAL		
Total Capital	22.291.030	
Total risk weighted amounts	146.194.428	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	10,56%	
Tier 1 Capital Adequacy Ratio (%)	12,63%	
Capital Adequacy Ratio (%)	15,25%	
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%	
c) Systemic significant bank buffer ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	4,56%	
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	131.465	
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 ten thousand twenty-five limitation)	3.189.586	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.625.300	
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.)

Components of consolidated shareholders' equity items:

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

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

	Prior Period December 31, 2018	Amounts subject to treatment before 1/1/2014 (*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**14.320.995**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	3.308.715	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.448.219	
Tier II Capital Before Deductions	**4.756.934**	
Deductions From Tier II Capital	**-**	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	**4.756.934**	
Total Capital (The sum of Tier I Capital and Tier II Capital) (Before deduction)	**19.077.929**	
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	Amounts subject to treatment before 1/1/2014 (*)
TOTAL CAPITAL		
Total Capital	18.994.391	
Total risk weighted amounts	127.985.545	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	11,19%	
Tier 1 Capital Adequacy Ratio (%)	11,19%	
Capital Adequacy Ratio (%)	14,84%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	1,88%	
a) Capital conservation buffer requirement (%)	0,01%	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemic significant bank buffer ratio (%)	5,19%	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	-	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	142.609	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty-five limitation)	2.938.181	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.448.219	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
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:

	1	2	3
Issuer	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA
Regulatory treatment	Additional Capital	Supplementary Capital	Supplementary Capital
Since 1/1/2015 10% reduction by being subject to the application	No	No	No
Eligible at stand-alone / consolidated	Standalone - Consolidated	Standalone - Consolidated	Standalone - 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	Interest will not be processed for the value reduced after the impairment date.	-	-
Fully discretionary, partially discretionary or mandatory	Discretionary	-	-

	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.)

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

EQUITY ITEMS	**T**	**T-1**	**T-2**	**T-3**
Common Equity	15.436.293	15.294.035	15.151.777	15.009.519
Transition process not implemented Common Equity	15.009.519	15.009.519	15.009.519	15.009.519
Tier 1 Capital	18.463.706	18.321.448	18.179.190	18.036.932
Transition process not implemented Tier 1 Capital	18.036.932	18.036.932	18.036.932	18.036.932
Total Capital	22.291.030	22.148.772	22.006.514	21.864.256
Transition process not implemented Equity	21.864.256	21.864.256	21.864.256	21.864.256
TOTAL RISK WEIGHTED AMOUNTS				
Total Risk Weighted Amounts	146.194.428	146.194.428	146.194.428	146.194.428
CAPITAL ADEQUACY RATIO				
Common Equity Adequacy Ratio (%)	10,56	10,46	10,36	10,27
Transition process not implemented Common Equity Ratio (%)	10,27	10,27	10,27	10,27
Tier 1 Capital Adequacy Ratio (%)	12,63	12,53	12,43	12,34
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	12,34	12,34	12,34	12,34
Capital Adequacy Ratio (%)	15,25	15,15	15,05	14,96
Transition process not implemented Capital Adequacy Ratio (%)	14,96	14,96	14,96	14,96
LEVERAGE				
Leverage Ratio Total Risk Amount	257.298.131	257.298.131	257.298.131	257.298.131
Leverage (%)	6,25	6,25	6,25	6,25
Transition process not implemented Leverage Ratio (%)	7,01	7,01	7,01	7,01

(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 Consolidated Risk Management

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

		Risk Weighted Assets		Minimum Capital Requirements	
		30.06.2019	**31.12.2018**	**30.06.2019**	**31.12.2018**
1	Credit risk (excluding counterparty credit risk)	125.391.694	112.159.311	10.031.336	8.972.745
2	Standardised approach	125.391.694	112.159.311	10.031.336	8.972.745
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	4.632.278	3.698.238	370.582	295.859
5	Standardised approach for counterparty credit risk	4.632.278	3.698.238	370.582	295.859
6	Internal model method	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-	-
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitisation exposures in banking accounts	-	-	-	-
13	IRB ratings-based approach	-	-	-	-
14	IRB Supervisory Formula Approach	-	-	-	-
15	SA/simplified supervisory formula approach	-	-	-	-
16	Market risk	3.081.325	1.654.488	246.506	132.359
17	Standardised approach	3.081.325	1.654.488	246.506	132.359
18	Internal model approaches	-	-	-	-
19	Operational risk	13.089.131	10.473.508	1.047.130	837.881
20	Basic Indicator Approach	13.089.131	10.473.508	1.047.130	837.881
21	Standardised Approach	-	-	-	-
22	Advanced Measurement Approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24	Floor adjustment	-	-	-	-
25	**TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)**	**146.194.428**	**127.985.545**	**11.695.554**	**10.238.844**

(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 as per TAS			
	Defaulted exposures	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values**
1 Loans	7.462.473	101.497.648	5.630.656	103.329.465
2 Debt Securities	-	25.282.512	13.539	25.268.973
3 Off-balance sheet exposures	-	67.984.205	50.521	67.933.684
4 Total	**7.462.473**	**194.764.365**	**5.694.716**	**196.532.122**

Prior Period	Gross carrying values of as per TAS			
	Defaulted exposures	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values**
1 Loans	6.614.263	95.409.053	4.937.172	97.086.144
2 Debt Securities	-	21.259.795	37.077	21.222.718
3 Off-balance sheet exposures	-	60.332.135	50.116	60.282.019
4 Total	**6.614.263**	**177.000.983**	**5.024.365**	**178.590.881**

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	6.614.263	4.344.169
2 Loans and debt securities that have defaulted since the last reporting period	1.517.259	3.691.472
3 Returned to non-defaulted status	-	-
4 Amounts written off	822	148.576
5 Other changes(*)	668.227	1.272.802
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	**7.462.473**	**6.614.263**

(*) 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	99.683.226	3.646.239	1.750.834	-	-	-	-
2 Debt Securities	25.268.973	-	-	-	-	-	-
3 Total	**124.952.199**	**3.646.239**	**1.750.834**	**-**	**-**	**-**	**-**
4 Of which defaulted	1.819.512	12.305	461	-	-	-	-

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	93.637.957	3.448.187	1.866.508	-	-	-	-
2 Debt Securities	21.222.718	-	-	-	-	-	-
3 Total	**114.860.675**	**3.448.187**	**1.866.508**	**-**	**-**	**-**	**-**
4 Of which defaulted	1.649.864	27.227	2.282	-	-	-	-

(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**	
	Exposure Categories	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Exposures to central governments or central banks	46.298.524	-	52.556.212	-	11.747.904	22%
2	Exposures to regional governments or local authorities	81.175	65	81.175	-	40.587	50%
3	Exposures to public sector entities	233.413	98.638	212.356	46.406	258.761	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	6.106.577	1.681.950	6.106.576	1.228.695	3.765.325	51%
7	Exposures to corporates	48.748.887	30.309.368	46.557.921	14.799.641	61.357.561	100%
8	Retail exposures	53.002.346	69.204.464	47.205.156	3.587.956	38.094.834	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	2.982.133	165.737	2.982.133	93.053	1.537.593	50%
11	Past-due loans	1.556.096	-	1.555.659	-	1.104.744	71%
12	Higher-risk categories by the Agency Board	292.498	8.714	292.473	2.265	442.109	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	6.740.934	267.315	6.740.934	-	4.741.551	70%
17	Investments in equities	1.247.101	-	1.247.101	-	1.247.101	100%
18	**Total**	**170.290.416**	**102.120.000**	**168.538.429**	**19.767.638**	**125.391.694**	**67%**

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

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

e) CR5 – Standardized approach – Exposures by asset classes and risk weights:

Current Period

	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount (*)
1	Exposures to central governments or central banks	40.808.308	-	-	-	-	-	11.747.904	-	-	52.556.212
2	Exposures to regional governments or local authorities	-	-	-	-	81.175	-	-	-	-	81.175
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	-	-	1.421.540	-	4.865.427	-	1.048.304	-	-	7.335.271
7	Exposures to corporates	-	-	-	-	-	-	61.357.562	-	-	61.357.562
8	Retail exposures	-	-	-	-	-	50.793.112	-	-	-	50.793.112
9	Exposures secured by residential property	-	-	-	3.010.355	-	-	-	-	-	3.010.355
10	Exposures secured by commercial real estate	-	-	-	-	3.075.186	-	-	-	-	3.075.186
11	Past-due loans	-	-	-	-	901.830	-	653.829	-	-	1.555.659
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	294.738	-	294.738
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	-	-	-	-	-	-	1.247.101	-	-	1.247.101
17	Investments in equities	1.998.685	-	873	-	-	-	4.741.376	-	-	6.740.934
18	**Total**	**42.806.993**	**-**	**1.422.413**	**3.010.355**	**8.923.618**	**50.793.112**	**81.054.838**	**294.738**	**-**	**188.306.067**

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

Prior Period

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

(*) 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	6.662.964	1.378.291	-	1,4	3.604.464	2.277.960
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**	**-**	**-**	**-**	**-**	**-**	**3.775.777**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard Approach-CCR	8.021.683	1.506.135	-	1,4	3.944.732	2.258.470
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**	**-**	**-**	**-**	**-**	**-**	**2.881.331**

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	-	-	-	-
(i) Value at risk component (3*multiplier included)	-	-	-	-
(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
Total portfolio value with simplified approach CVA capital adequacy	3.604.464	3.944.732	856.501	816.907
Total amount of CVA capital adequacy	**3.604.464**	**3.944.732**	**856.501**	**816.907**

(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

	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1	Exposures from central governments or central banks	22.457	-	-	-	-	-	-	4.379	26.836
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	3	-	-	3
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	547.036	5.386.128	-	22.532	-	-	5.955.696
7	Exposures from corporates	-	-	-	-	-	943.232	-	-	943.232
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**	**-**	**547.036**	**5.386.128**	**8.551**	**965.767**	**692**	**4.379**	**6.935.010**

Prior Period

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

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

Related table is not presented due to standard method is used for calculation of capital adequacy (December 31, 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 or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals	Collaterals
Current Period	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**	**Taken**	**Given**
Cash-Local Currency	-	-	-	-	1.611.758	-
Cash - Foreign Currency	-	5.094.300	-	3.553.041	6.338.050	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**5.094.300**	**-**	**3.553.041**	**7.949.808**	**-**

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

f) CCR6 – Credit derivatives exposures:

Related table is not presented due to the Parent Bank has no risk arrived from derivative credit received or sold (December 31, 2018 – None).

g) CCR8 – Exposures to central counterparties (CCP):

		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 Parent Bank has no securitization transactions (December 31, 2018 – None).

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

5. Market risk under standardised approach

	RWA (**)	Current Period	Prior Period
	Outright products (*)	3.040.163	1.627.963
1	*Interest rate risk (general and specific)*	*1.774.163*	*1.467.913*
2	*Equity risk (general and specific)*	*118.075*	*25.525*
3	*Foreign exchange risk*	*1.138.825*	*132.250*
4	*Commodity risk*	*9.100*	*2.275*
	Options	41.162	26.525
5	*Simplified approach*	-	-
6	*Delta-plus method*	*41.162*	*26.525*
7	*Scenario approach*	-	-
8	Securitization	-	-
9	**Total**	**3.081.325**	**1.654.488**

(*) Outright products refer to position in products that are not optional.
(**) The market Risk represents the capital requirement multiplied by 12,5 times Risk Weighted Amount.

III. Explanations on Consolidated Foreign Exchange Risk

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

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

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

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

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

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

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

US Dollars purchase rate in the balance sheet date	TL 5,7665
Euro purchase rate in the balance sheet date	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 Parent Bank’s foreign exchange bid rate for the last thirty days

The basic arithmetical average of the Parent Bank’s US Dollar and Euro purchase rates for 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 consolidated foreign exchange risk of the Group (Thousands of TL)

Current Period	EUR	USD	Other	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank[1]	9.419.923	8.771.654	2.091.201	20.282.778
Due From Banks	538.511	914.311	96.704	1.549.526
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)[2]	490.080	365.573	57	855.710
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI)	1.908.708	3.960.548	-	5.869.256
Loans[3]	23.052.512	16.355.230	235.065	39.642.807
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	1.646.172	5.313.595	-	6.959.767
Derivative Financial Assets Hedging Purposes	3.232	79.352	-	82.584
Tangible Assets	-	-	67	67
Intangible Assets	-	-	-	-
Other Assets [4]	1.606.223	1.982.827	2.672	3.591.722
Total Assets	**38.665.361**	**37.743.090**	**2.425.766**	**78.834.217**
Liabilities				
Bank Deposits	987.763	2.376.161	63.412	3.427.336
Foreign Currency Deposits[5]	10.175.933	32.377.040	3.460.456	46.013.429
Money Market Borrowings	1.422.847	5.930.995	-	7.353.842
Funds Provided from Other Financial Institutions	9.386.213	15.679.864	393.095	25.459.172
Securities Issued	-	7.906.209	-	7.906.209
Sundry Creditors	4.630.725	631.824	8.183	5.270.732
Derivative Fin. Liabilities Hedging Purposes	107.245	586.638	-	693.883
Other Liabilities [6]	721.558	724.084	30.853	1.476.495
Total Liabilities	**27.432.284**	**66.212.815**	**3.955.999**	**97.601.098**
Net Balance Sheet Position	**11.233.077**	**(28.469.725)**	**(1.530.233)**	**(18.766.881)**
Net Off-Balance Sheet Position	**(11.075.956)**	**27.227.343**	**1.538.273**	**17.689.660**
Financial Derivative Assets	16.334.124	70.746.810	1.766.745	88.847.679
Financial Derivative Liabilities	27.410.080	43.519.467	228.472	71.158.019
Non-Cash Loans [7]	7.627.256	7.908.038	480.080	16.015.374
Prior Period				
Total Assets	31.675.237	30.711.975	2.314.973	64.702.185
Total Liabilities	25.870.380	55.885.761	4.617.709	86.373.850
Net Balance Sheet Position	**5.804.857**	**(25.173.786)**	**(2.302.736)**	**(21.671.665)**
Net Off-Balance Sheet Position	**(5.623.875)**	**24.735.748**	**2.307.317**	**21.419.190**
Financial Derivative Assets	14.555.072	70.548.346	2.403.102	87.506.520
Financial Derivative Liabilities	20.178.947	45.812.598	95.785	66.087.330
Non-Cash Loans	7.367.223	7.133.391	443.815	14.944.429

(1) Cash and Balances with TR Central; 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 in accordance with TFRS 9.
(3) Includes TL 1.483.584 (December 31, 2018 – TL 2.162.619) FC indexed loans. Does not include repealed financial leasing receivables amounting to TL 53.646 (December 31 2018 – TL 53.998) accounted as FC in balance sheet. Includes FC indexed factoring receivables is none (December 31, 2018 – TL 27.754) accounted as TL in balance sheet.
(4) Does not include FC prepaid expenses amounting to TL 49.403 (December 31, 2018 – TL 11.258) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006.
(5) Foreign currency deposits include TL 2.504.053 (December 31, 2018 – TL 1.862.513) of precious metal deposit account.
(6) Other Liabilities do not include the Foreign Currency Index Factoring payables amounting to TL 2.060.
(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 Consolidated Interest Rate Risk

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

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

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

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (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	-	-	-	-	13.057.821	23.377.615
Due from Banks (3)	166.521	40.829	-	-	-	1.341.564	1.548.914
Financial Assets at Fair Value Through Profit/Loss (4)	8.185	1	129.616	13.518	31.808	8.001.079	8.184.207
Money Market Placements	266.184	-	-	-	-	-	266.184
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) (5)	610.617	76.121	3.915.869	2.580.653	2.895.912	1.775.816	11.854.988
Loans and Receivables	32.323.313	10.869.279	28.882.699	25.662.860	3.603.401	5.088.777	106.430.329
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	-	-	-	-	-	10.436.125	10.436.125
Total Assets	**45.498.360**	**12.954.950**	**37.872.312**	**30.972.161**	**10.158.248**	**40.108.461**	**177.564.492**
Liabilities							
Bank Deposits	2.259.210	1.005.578	220.340	-	-	93.801	3.578.929
Other Deposits	56.738.075	9.345.502	4.285.633	185.808	116	20.940.199	91.495.333
Money Market Borrowings	4.108.687	2.310.416	2.767.246	45.625	-	56.088	9.288.062
Sundry Creditors	5.202.140	-	-	-	-	3.453.718	8.655.858
Securities Issued	2.252.166	3.197.617	484.273	4.527.303	3.011.926	-	13.473.285
Funds Borrowed	2.442.162	9.255.293	11.355.923	866.579	3.207.984	3.233	27.131.174
Other Liabilities (7)	310	655	6.628	6.793	-	23.927.465	23.941.851
Total Liabilities	**73.002.750**	**25.115.061**	**19.120.043**	**5.632.108**	**6.220.026**	**48.474.504**	**177.564.492**
On Balance Sheet Long Position	-	-	18.752.269	25.340.053	3.938.222	-	48.030.544
On Balance Sheet Short Position	(27.504.390)	(12.160.111)	-	-	-	(8.366.043)	(48.030.544)
Off-Balance Sheet Long Position	6.837.437	15.506.689	-	-	-	-	22.344.126
Off-Balance Sheet Short Position	-	-	(751.430)	(9.868.711)	(6.500.485)	(33.630)	(17.154.256)
Total Position	**(20.666.953)**	**3.346.578**	**18.000.839**	**15.471.342**	**(2.562.263)**	**(8.399.673)**	**5.189.870**

(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 5.542.

(4) Financial Assets at Fair Value Through Profit/Loss include amount of TL 7.940.009 derivative financial assets at fair value used for hedging purposes.

(5) Financial Assets Measured at Fair Value through Other Comprehensive Income include amount of TL 1.881.176 derivative financial assets at fair value through other comprehensive income.

(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 521.112.

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

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing [1]	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	6.948.670	-	-	-	-	11.525.632	18.474.302
Due from Banks	63.245	-	77	-	-	1.178.289	1.241.611
Financial Assets at Fair Value Through Profit/Loss [2]	19.561	13.878	111.337	12.758	7.828	9.577.455	9.742.817
Money Market Placements	507.706	-	2.000	-	-	-	509.706
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI)	295.420	537.796	3.121.016	1.944.318	2.689.994	2.671.512	11.260.056
Loans and Receivables	29.113.751	10.730.449	26.490.138	25.786.714	3.760.403	4.385.104	100.266.559
Financial Assets Measured at Amortized Cost	1.302.442	1.696.535	3.692.648	1.684.718	3.543.329	975.444	12.895.116
Other Assets	-	-	-	-	-	9.110.067	9.110.067
Total Assets	**38.250.795**	**12.978.658**	**33.417.216**	**29.428.508**	**10.001.554**	**39.423.503**	**163.500.234**
Liabilities							
Bank Deposits	2.399.564	660.154	53.659	-	-	564.208	3.677.585
Other Deposits	45.208.078	15.892.388	6.055.592	150.735	164	15.841.674	83.148.631
Money Market Borrowings	2.193.999	1.712.362	1.324.744	41.625	37.132	23.810	5.333.672
Sundry Creditors	6.212.585	-	-	-	-	3.145.516	9.358.101
Securities Issued	1.611.103	3.503.049	2.882.177	3.799.105	-	54.643	11.850.077
Funds Borrowed	3.700.911	5.148.542	12.742.802	1.421.288	2.352.810	1.978	25.368.331
Other Liabilities [3]	51.259	2.539	11.242	149.295	-	24.549.502	24.763.837
Total Liabilities	**61.377.499**	**26.919.034**	**23.070.216**	**5.562.048**	**2.390.106**	**44.181.331**	**163.500.234**
On Balance Sheet Long Position	-	-	10.347.000	23.866.460	7.611.448	-	41.824.908
On Balance Sheet Short Position	(23.126.704)	(13.940.376)	-	-	-	(4.757.828)	(41.824.908)
Off-Balance Sheet Long Position	5.271.880	21.627.288	1.917.808	-	-	-	28.816.976
Off-Balance Sheet Short Position	-	-	-	(15.205.275)	(7.384.089)	-	(22.589.364)
Total Position	**(17.854.824)**	**7.686.912**	**12.264.808**	**8.661.185**	**227.359**	**(4.757.828)**	**6.227.612**

(1) Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(2) Financial Assets at Fair Value through Profit / Loss include derivative financial assets amounting to TL 9.587.046 at fair value through profit or loss.
(3) Other Liabilities The fair value difference of derivative financial liabilities amounting TL 336.173 is reflected to other comprehensive income.

Average interest rates applied to monetary financial instruments

	EUR %	USD %	JPY %	TL %
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	2,00	-	13,00
Due from Banks	0,22	2,91	-	19,72
Financial Assets Measured at Fair Value through Profit/Loss	4,62	9,88	-	17,55
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,73	5,10	-	19,99
Loans and Receivables	4,84	7,20	2,50	21,76
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	-	23,43
Funds Borrowed	2,29	5,93	-	17,14

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

Average interest rates applied to monetary financial instruments:

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

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

	Comparison		
Equity Securities (shares)	**Carrying Value**	**Fair Value**	**Market Value**
1. Equity Investments Group A	**39.126**	**-**	**39.126**
Quoted Securities	39.126	-	39.126
2. Equity Investments Group B	**-**	**-**	**-**
Quoted Securities	-	-	-
3. Equity Investments Group C	**-**	**-**	**-**
Quoted Securities	-	-	-
4. Equity Investments Group Other	**175.639**	**148.674**	**-**

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

		Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio	**Gains/Losses in Current Period**	**Total**	**Amount under Core Capital**	**Total**	**Amount under Core Capital**	**Amount under Supplementary Capital**
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	2.592			296		133
3. Other Shares	-	-	-	-	-	-
4. Total	**2.592**	**-**	**-**	**296**	**-**	**133**

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

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

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

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

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

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

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

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

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

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

Liquidity Coverage Ratio

	Unweighted Amounts(*)		Weighted Amounts(*)	
Current Period – June 30, 2019	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS			**35.435.392**	**23.112.425**
1. High Quality Liquid Assets	35.435.392	23.112.425	35.435.392	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	30.234.664	14.741.323	20.171.973	9.794.198
6. Operational deposits	703.566	154.257	175.891	38.564
7. Non-Operational Deposits	21.984.104	11.764.671	13.646.954	7.018.913
8. Other Unsecured Funding	7.546.994	2.822.395	6.349.128	2.736.721
9. Secured funding	-	-	104.120	104.120
10. Other Cash Outflows	25.216.890	20.606.790	25.216.890	20.606.790
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	25.216.890	20.606.790	25.216.890	20.606.790
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	29.266.177	852.130	1.463.309	42.606
15. Other irrevocable or conditionally revocable commitments	67.894.760	17.460.505	5.082.001	1.573.553
16. TOTAL CASH OUTFLOWS			**58.426.265**	**35.694.236**
CASH INFLOWS				
17. Secured Lending Transactions	565.688	-	-	-
18. Unsecured Lending Transactions	9.876.794	3.620.774	6.589.113	3.188.833
19. Other contractual cash inflows	23.598.127	20.590.967	23.598.127	20.590.967
20. TOTAL CASH INFLOWS	**34.040.609**	**24.211.741**	**30.187.240**	**23.779.800**
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			**35.435.392**	**23.112.425**
22. TOTAL NET CASH OUTFLOWS			**28.239.025**	**11.914.436**
23. LIQUDITY COVERAGE RATIO (%)			**125,48%**	**193,99%**

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

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

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

	Capped Amount	
21. TOTAL HIGH QUALITY LIQUID ASSETS	**29.090.785**	**17.514.960**
22. TOTAL NET CASH OUTFLOWS	**25.411.893**	**11.020.904**
23. LIQUDITY COVERAGE RATIO (%)	**114,48%**	**158,92%**

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

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

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

	Maximum	Week	Minimum	Week	Average
TL+FC	141,35	16.04.2019	112,60	09.06.2019	125,70
FC	245,47	26.04.2019	168,81	09.06.2019	196,09

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

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

Funding sources of the Parent Bank mainly consist of deposits which constitute 54% of total liabilities of the Group (December 31, 2018 – 53%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

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

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

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

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

(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]	10.471.898	12.908.023	-	-	-	-	(2.306)	23.377.615
Due from Banks [3]	1.345.774	167.853	40.829	-	-	-	(5.542)	1.548.914
Financial Assets at Fair Value Through Profit/Loss [4]	29.961	217.229	253.536	2.638.581	4.238.391	767.383	39.126	8.184.207
Money Market Placements	-	266.184	-	-	-	-	-	266.184
Financial Assets Measured at Fair Value through Other Comprehensive Income [5]	171.331	32.058	201.520	2.098.879	6.454.238	2.896.962	-	11.854.988
Loans and Receivables [6]	-	20.411.424	8.608.596	29.137.957	33.730.068	12.710.466	1.831.818	106.430.329
Financial Assets Measured at Amortized Cost[7]	-	9.453	41.099	2.183.406	7.462.890	5.782.821	(13.539)	15.466.130
Other Assets	-	4.771.587	11.694	83.515	1.102.488	1.948	4.464.893	10.436.125
Total Assets	**12.018.964**	**38.783.811**	**9.157.274**	**36.142.338**	**52.988.075**	**22.159.580**	**6.314.450**	**177.564.492**
Liabilities								
Bank Deposits	93.801	2.259.210	1.005.578	220.340	-	-	-	3.578.929
Other Deposits	20.940.199	56.738.074	9.345.502	4.285.633	185.808	117	-	91.495.333
Funds Borrowed	32.588	1.749.525	2.652.207	9.056.297	6.209.034	7.431.523	-	27.131.174
Money Market Borrowings	-	4.123.905	1.584.305	1.582.073	1.094.183	903.596	-	9.288.062
Securities Issued	-	2.252.167	2.760.967	920.923	4.527.302	3.011.926	-	13.473.285
Sundry Creditors	-	3.577.663	-	1.434.129	3.644.066	-	-	8.655.858
Other Liabilities [8]	39.414	1.748.718	181.028	1.412.776	2.958.049	1.196.772	16.405.094	23.941.851
Total Liabilities	**21.106.002**	**72.449.262**	**17.529.587**	**18.912.171**	**18.618.442**	**12.543.934**	**16.405.094**	**177.564.492**
Liquidity Excess / Gap	**(9.087.038)**	**(33.665.451)**	**(8.372.313)**	**17.230.167**	**34.369.633**	**9.615.646**	**(10.090.644)**	**-**
Net Off- Balance Sheet Position [9]	**-**	**317.534**	**1.759.451**	**1.799.698**	**(405.172)**	**60.368**	**-**	**3.531.879**
Receivables from financial derivative instruments	-	4.681.659	13.535.714	37.478.034	21.637.571	23.304.012	-	100.636.990
Liabilities from derivative financial instruments	-	4.364.125	11.776.263	35.678.336	22.042.743	23.243.644	-	97.105.111
Non Cash Loans [10]	**-**	**1.806.961**	**2.827.509**	**10.609.857**	**2.984.309**	**701.413**	**7.333.000**	**26.263.049**
Prior period								
Total Assets	8.996.385	34.921.995	10.960.783	30.336.038	49.942.678	22.441.700	5.900.655	163.500.234
Total Liabilities	15.676.090	61.732.712	23.246.765	21.040.052	18.712.822	7.591.259	15.500.534	163.500.234
Liquidity Gap	**(6.679.705)**	**(26.810.717)**	**(12.285.982)**	**9.295.986**	**31.229.856**	**14.850.441**	**(9.599.879)**	**-**
Net Off- Balance Sheet Position [9]	**-**	**(477.540)**	**936.632**	**2.070.666**	**2.289.683**	**31.041**	**-**	**4.850.482**
Receivables from financial derivative instruments	-	18.794.816	14.225.803	22.354.597	37.228.868	18.475.965	-	111.080.049
Liabilities from derivative financial instruments	-	19.272.356	13.289.171	20.283.931	34.939.185	18.444.924	-	106.229.567
Non Cash Loans[10]	**-**	**1.246.671**	**2.179.701**	**8.419.216**	**2.914.717**	**412.843**	**8.516.098**	**23.689.246**

[1] The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column. Unallocated other liabilities include equities amount of TL 15.374.427 and also include amount of TL 776.455 unallocated provisions and deferred tax liabilities.

[2] Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include expected loss provisions amounting to TL 2.306

[3] Banks include balance of expected loss provisions amounting to TL 5.542.

[4] Financial Assets at Fair Value through Profit / Loss include derivative financial assets amounting to TL 7.940.009 at fair value through profit or loss.

[5] Financial Assets at Fair Value through Other Comprehensive Income TL 1.881.176 includes derivative financial assets at fair value through profit or loss..

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

[7] Financial assets measured at amortized cost include TL 13.539 of expected loss provisions.

[8] Other Liabilities include Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income amounting to TL 521.112

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

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

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

VII. Explanations on Consolidated Leverage Ratio

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

The Group's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6,25% (December 31, 2018: 6,21%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

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

		Current Period(**)	Prior Period(**)
1	Total asset amount in consolidated financial statements prepared in accordance with TFRS (*)	180.130.566	164.418.175
2	Difference between total asset amount in consolidated financial statements prepared in accordance with TFRS and total asset amount in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	373.233	351.253
3	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives	1.517.114	1.411.506
4	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of investment securities or financial transaction that are commodity collateralized	25.031	1.509
5	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of off balance transactions	75.991.703	66.754.396
6	Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	(739.516)	(476.703)
7	**Total Risk Amount**	**257.298.131**	**232.460.136**

(*) Consolidated financial statements prepared in accordance with the 5th clause and 6th subclause of Communique on the Preparation of Consolidated Financial Statements.

(**) Amounts presented above represent the arithmetic average of the last three months.

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

c) Leverage ratio public disclosure template:

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

	Book Value	
	Current Period (*)	**Prior Period (*)**
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	168.824.797	150.821.711
(Assets deducted from capital stock)	739.516	476.703
Total risk amount related to Assets on Balance sheet	**168.085.281**	**150.345.008**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	11.679.002	13.947.717
Potential credit risk amount of derivative financial instruments and credit derivatives	1.517.114	1.411.506
Total risk amount related to derivative financial instruments and credit derivatives	**13.196.116**	**15.359.223**
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	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	102.324.494	93.141.238
(Adjustment amount sourcing from multiplying to credit conversion rates)	26.332.791	26.386.842
Total risk amount related to off-balance sheet transactions	**75.991.703**	**66.754.396**
Capital and Total Risk		
Core Capital	16.085.797	14.432.959
Amount of total risk	257.298.131	232.460.136
Financial leverage ratio		
Financial leverage ratio	6,25%	6,21%

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

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Consolidated Assets

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Cash in TL/Foreign Currency	671.727	1.251.190	787.020	849.141
T.R. Central Bank	2.355.294	19.025.069	1.035.698	15.770.333
Others	70.122	6.519	-	69.251
Total	**3.097.143**	**20.282.778**	**1.822.718**	**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% and 20%). In accordance with the “Communiqué Regarding the Reserve Requirements no. 2013/15”, the reserve requirements can be maintained as TL, USD, EUR and standard gold.

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

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Given as Collateral/blocked	7.701	377	3.676	695
Subject to repurchase agreement	-	-	-	-
Total	**7.701**	**377**	**3.676**	**695**

b) Positive differences on trading derivative instruments:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forward Transactions	46.894	1.453	138.487	-
Swap Transactions	3.249.347	790.497	4.674.014	428.270
Futures	-	207	-	2.576
Options	402	120.410	120	188.916
Other	-	-	-	-
Total	**3.296.643**	**912.567**	**4.812.621**	**619.762**

(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	4.733	1.549.723	205.463	1.036.589
Domestic	4.728	208.935	205.457	1.210
Foreign	5	1.340.788	6	1.035.379
Foreign Head Offices and Branches	-	-	-	-
Total	**4.733**	**1.549.723**	**205.463**	**1.036.589**

Amount of TL 5.542 provision established for banks account as of June 30, 2019 (December 31, 2018 – 441).

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
EU Countries	318.196	228.892	35.873	39.428
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	**1.131.602**	**835.275**	**209.191**	**200.110**

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

(**) Includes blocked placements amounting to TL 209.191 at foreign banks (December 31, 2018 - TL 200.110) for the funds borrowed from foreign banks.

4. Information on receivables from reverse repurchase agreements

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From domestic transactions	**98.650**	**-**	**100.070**	**-**
T.R. Central Bank	-	-	-	-
Banks(*)	98.650	-	100.070	-
Brokerage Houses	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
From foreign transactions	**-**	**-**	**-**	**-**
T.R. Central Bank	-	-	-	-
Banks	-	-	-	-
Brokerage Houses	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
Total	**98.650**	**-**	**100.070**	**-**

(*) As of 30 June 2019, no provision has been provided for receivables from money markets (31 December 2018 - 5 TL).

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

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

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Given as Collateral / Blocked	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**

b.) Information on Financial Assets Measured 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	**172.593**	**119.995**
Quoted on a stock exchange	1.155	1.718
Unquoted on a stock exchange(**)	171.438	118.277
Impairment provision (-)(***)	**(400.931)**	**(416.240)**
Total	**9.973.812**	**8.445.773**

(*) 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 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 - 19.492) provision provided for financial assets measured at fair value through other comprehensive income account.

6. Information related to loans:

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

	Current Period		Prior Period	
	Cash	**Non-Cash**	**Cash**	**Non-Cash**
Direct Loans Granted to Shareholders	**1.304**	**-**	**1.755**	**-**
Corporate Shareholders	1.304	-	1.755	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	97.451	-	85.830	-
Total	**98.755**	**-**	**87.585**	**-**

(*) Includes advances given to the bank personnel.

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

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

b.1) Loans at Measured at Amortized Cost

		Loans and Other Receivables Under Close Monitoring		
			Restructured Loans and Receivables	
Cash Loans	**Standard Loans and Other Receivables**	**Loans and Receivables Not Subject to Restructuring**	**Loans and Receivables with Revised Contract Terms**	**Refinance**
Non Specialized Loans	**88.541.628**	**5.258.801**	**258.569**	**7.438.650**
Entreprise Loans	1.009.597	6.256	-	-
Export Loans	2.107.103	110.318	-	-
Import Loans	18.981	-	-	-
Financial Sector Loans	991.543	554	-	-
Consumer Loans	17.713.369	964.772	85.985	1.042.084
Credit Cards	13.693.535	716.004	-	850.128
Other	53.007.500	3.460.897	172.584	5.546.438
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**88.541.628**	**5.258.801**	**258.569**	**7.438.650**

	Standard Loans	**Loans Under Close Monitoring**
Current Period		
12 Month Expected Credit Losses	1.132.347	-
Significant Increase in Credit Risk	-	2.027.992
Prior Period		
12 Month Expected Credit Losses		-
Significant Increase in Credit Risk	1.078.524	1.692.132

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

As of June 30, 2019, The Parent Bank has classified the loan amounted to TL 126.563 (December 31, 2018 – 110.032) under financial assets at fair value through profit or loss in accordance with TFRS 9.

c) Loans according to their maturity structure:

		Loans Under Close Monitoring	
Cash Loans	**Standard Loans**	**Loans without Revised Contract Terms**	**Restructured Loans**
Short-term Loans	34.040.738	717.121	850.128
Medium and Long-term Loans	54.500.890	4.541.680	6.847.091
Total	**88.541.628**	**5.258.801**	**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	**948.196**	**16.869.991**	**17.818.187**
Housing Loans	127.165	4.306.552	4.433.717
Automobile Loans	427	12.732	13.159
Personal Need Loans	797.134	12.513.367	13.310.501
Other	23.470	37.340	60.810
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	**14.484.917**	**17.462.169**	**31.947.086**

(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	101.370.496	95.307.385
Total	**101.497.648**	**95.409.053**

g) Domestic and foreign loans :

	Current Period	Prior Period
Domestic Loans	100.804.658	94.878.795
Foreign Loans	692.990	530.258
Total	**101.497.648**	**95.409.053**

h) Loans granted to subsidiaries and associates:

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

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

i) Specific provisions for loans:

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	385.597	760.596
Loans and Receivables with Doubtful Collectability	1.115.740	625.240
Uncollectible Loans and Receivables	4.129.319	3.551.336
Total	**5.630.656**	**4.937.172**

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

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period			
Gross Amounts Before the Provisions	29.093	30.887	202.476
Restructured Loans	29.093	30.887	202.476
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 Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Prior Period End Balance	**1.453.936**	**1.018.300**	**4.142.026**
Additions (+)	1.339.913	89.162	88.184
Transfers from Other Categories of Non-Performing Loans (+)	1.922	1.895.966	932.400
Transfers to Other Categories of Non-Performing Loans (-)	1.895.534	934.321	432
Collections (-)	189.920	185.634	292.673
Write-offs	-	-	822
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Period End Balance	**710.317**	**1.883.473**	**4.868.683**
Specific Provision (-)	385.597	1.115.740	4.129.319
Net Balances on Balance Sheet	**324.720**	**767.733**	**739.364**

j.3) Information on foreign currency of 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 Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net)	**324.720**	**767.733**	**739.364**
Loans to Real Persons and Legal Entities (Gross)	710.317	1.883.473	4.792.325
Provision (-)	385.597	1.115.740	4.052.961
Loans to Real Persons and Legal Entities (Net)	324.720	767.733	739.364
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	76.358
Provision (-)	-	-	76.358
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	**693.340**	**393.061**	**590.690**
Loans to Real Persons and Legal Entities (Gross)	1.453.936	1.018.300	4.108.905
Specific provision (-)	760.596	625.240	3.518.215
Loans to Real Persons and Legal Entities (Net)	693.340	393.061	590.690
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	33.121
Specific provision (-)	-	-	33.121
Other Loans and Receivables (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Interest accruals and valuation differences	60.294	198.899	164.975
Provision amount (-)	36.902	129.943	128.112
Prior Period (Net)			
Interest accruals and valuation differences	154.002	126.042	35.215
Provision amount (-)	94.342	77.214	21.573

k) Liquidation policies for uncollectible loans and other receivables:

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

l) Explanations on write-off policy:

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

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

7. Information on factoring receivables:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short Term	1.177.123	121.824	836.590	104.385
Medium and Long Term	23.943	-	32.029	-
Total	**1.201.066**	**121.824**	**868.619**	**104.385**

As of June 30, 2019 and June 30, 2018, changes in provision for non-performing factoring receivables are as follows:

	Current Period	Prior Period
Prior Period End Balance	74.990	41.794
Provided Provision / (reversal), Net	4.182	5.796
Collections	(10.001)	(2.576)
Write-offs	-	-
Provision at the End of Period	**69.171**	**45.014**

8. Information on Financial Assets Measured at Amortized Cost

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Given as Collateral / Blocked	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 Public Sector Debt Securities	-	290.576	-	288.169
Total	**8.519.902**	**6.355.242**	**7.916.505**	**4.283.527**

c) Information on investments 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) Movement of financial assets measured at amortized cost

	Current Period	Prior Period
Balance 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)
Impairment provision (-)	-	-
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 – 37.077) is provided for the financial assets measured at amortized cost.

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

9. Investments in associates (Net):

9.1. Information on unconsolidated associates:

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

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
120.754	64.965	57.531	1.238	8.943	4.564	-	120.754

(*) Current period information is based on March 31, 2019 financials. Prior period profit and loss amounts are based on March 31, 2018 financials.

9.2. 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**
Acquisitions	-	-
Bonus Shares Received	-	2.216
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	**5.982**	**5.982**
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

9.3. Sectoral distribution and the related carrying amounts on associates:

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

9.4. Quoted Associates:

None (December 31, 2018 - None).

9.5. Valuation of investments in associates:

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

9.6. Investments in associates sold during the current period:

None (December 31, 2018 - None).

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

9.7. Investments in subsidiaries (Net):

a) Information on the Parent Bank's unconsolidated subsidiaries:

Subsidiaries below have not been consolidated since they are Non-financial investments, they are instead valued by cost method.

	Title	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. Ve Tic. A.Ş.	Istanbul/Turkey	99,91	99,99
2.	EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.(*)	Istanbul/Turkey	100,00	100,00

(*)	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	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.	Istanbul/Turkey	99,80	100,00
2.	QNB Finans Finansal Kiralama A.Ş.	Istanbul/Turkey	99,40	99,40
3.	Hemenal Finansman A.Ş.	Istanbul/Turkey	100,00	100,00
4.	QNB Finans Portföy Yönetimi A.Ş.	Istanbul/Turkey	0,03	100,00
5.	QNB Finans Faktoring A.Ş.	Istanbul/Turkey	99,99	100,00
6.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Istanbul/Turkey	-	100,00

Information on subsidiaries in the order as presented in the table above:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (*)
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 Borsa Istanbul (BIST) values as of the balance sheet date.

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

b.2) Movement of investments in subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	**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 Difference	(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, Finans Faktoring A.Ş. has raised its capital at an amount of TL 15.000, this amount was paid by the Bank.

b.3) Sectoral distribution of the consolidated subsidiaries:

	Current Period	Prior Period
Factoring Companies	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**

The balances of the subsidiaries have been eliminated as part of the consolidation principles.

b.4) Quoted subsidiaries within the context of consolidation

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

b.5) Explanation to capital adequacy of the significant subsidiaries:

None.

10. Investments in entities under common control:

	Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	Cigna Finans Emeklilik ve Hayat A.Ş.	İstanbul/Turkey	49,00%	49,00%
2.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	İstanbul/Turkey	33,33%	33,33%

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	1.359.820	148.635	24.843	-	-	62.816	40.454	148.673
2.	106.864	70.715	40.268	-	-	17.470	5.421	-

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

11. Information on finance lease receivables (Net):

11.1 Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	2.337.090	1.556.914	1.745.864	1.380.549
Between 1-4 years	3.735.638	3.186.827	3.558.033	3.017.466
Over 4 years	678.443	624.622	759.925	690.084
Total	**6.751.171**	**5.368.363**	**6.063.822**	**5.088.099**

Finance lease receivables include non-performing finance lease receivables amounting to TL 362.873 (December 31, 2018 – TL 345.070) and specific provisions amounting to TL 134.735 (December 31, 2018 – TL 110.677).

Changes in non-performing finance lease receivables provision as of June 30, 2019 and June 30, 2018, are as follows:

	Current Period	Prior Period
End of the prior period	110.677	98.706
Provided provision / (reversal), Net	24.670	55.472
Collections	(612)	(5.140)
Written-off	-	(38.361)
Provision at the end of the period	**134.735**	**110.677**

11.2 Information on net investment on leases

	Current Period	Prior Period
Gross Finance Lease Investments	6.375.494	6.075.644
Unearned Finance Income (-)	1.007.131	987.545
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	**5.368.363**	**5.088.099**

11.3 Information of finance lease contracts of the Parent Bank

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

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

12. Information on hedging purpose derivatives:

	Current Period(***)		Prior Period	
	TP	**YP**	**TP**	**YP**
Fair Value Hedge (*)	3.644.933	85.866	4.117.133	37.530
Cash Flow Hedge(**)	1.874.673	6.503	2.702.865	111.418
Net Investment Hedge	-	-	-	-
Total	**5.519.606**	**92.369**	**6.819.998**	**148.948**

(*)Derivative financial instruments held for fair value hedge consist of swaps. As of June 30, 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) and TL 9.785 of fair value risks of receivables from leasing transactions (December 31, 2018 - TL 4.454) represents the fair value of derivative financial instruments used in hedging.

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

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

13. Explanations on investment property:

None (December 31, 2018- None).

14. Information on tax asset:

As of June 30, 2019, the Parent Bank has deferred tax asset amounting to TL 497.018.

In accordance with TAS 12, deferred tax assets and liabilities are recognized in the financial statements. Bank. As of June 30, 2019, the deferred tax asset amounting to TL 1,034,789 and deferred tax liability amounting to TL 537,771 have been reflected in its records by clarifying the carrying amount of the assets or liabilities included in its balance sheet and the amounts to be considered in the financial profit/loss account in subsequent periods.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax assets amounting to TL 268.367are netted under equity. (December 31, 2018 – TL 77.543 deferred tax assets).

	Temporary Differences		Deferred Tax Assets/(Liabilities)	
	30.06.2019	**31.12.2018**	**30.06.2019**	**31.12.2018**
Provision for Employee Rights	416.578	452.523	91.647	99.264
Difference Between the Book Value of Financial Assets and Tax Base	507.476	2.676.781	111.645	574.438
Other	3.779.534	4.004.908	831.497	878.363
Deferred Tax Assets			**1.034.789**	**1.552.065**
Difference Between the Book Value Financial Fixed Assets and Tax Base	(216.923)	(258.548)	(47.723)	(56.846)
Difference Between the Book Value of Financial Assets and Tax Base	(1.905.650)	(3.287.163)	(419.243)	(716.346)
Other	(321.843)	(732.184)	(70.805)	(160.792)
Deferred Tax Liabilities			**(537.771)**	**(933.984)**
Deferred Tax Assets/(Liabilities), Net			**497.018**	**618.081**

	Current Period 01.01-30.06.2019	Prior Period 01.01-30.06.2018
Deferred Tax as of January 1 Asset/ (Liability)- Net	618.081	472.654
Deferred Tax (Loss) / Gain	(311.887)	114.736
Deferred Tax that is Realized Under Shareholder's Equity	190.824	(21.538)
Deferred Tax Asset/ (Liability) – Net	**497.018**	**565.852**

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

16. Information on other assets:

16.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Collateral Given for Derivative Transactions	3.552.912	2.175.101
Assets Held for Resale (net)	1.056.743	879.983
Other Prepaid Expenses	700.768	692.718
Miscellaneous Receivables	319.191	319.200
Cheques Receivables from Other Banks	101.116	714.694
Prepaid rent expenses	89.730	7.522
Prepaid Agency Commissions	52.733	15.608
Advances Given	146	44.817
Other	143.052	98.497
Total	**6.016.391**	**4.948.140**

As of 30 June 2019, TL 8.067 provision has been provided for other assets (December 31, 2018- 2.008 TL).

16.2 If other assets exceed 10% of total assets, excluding off balance sheet commitments, the names and the balances of these accounts, the name and the amount of the subaccounts which create at least 20% of them are:

Details of the other assets are described in note 16.1 section of disclosure.

17. Accrued interest and income

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Derivative Financial Assets	8.816.249	1.004.936	11.632.619	768.710
Loans	2.859.234	446.100	2.533.148	364.154
Securities Measured at Amortized Cost	321.662	99.157	942.576	69.946
Financial Assets Measured at Fair Value through Other Comprehensive Income	66.492	(256.036)	101.449	(331.209)
Central Bank	71.592	-	60.220	-
Leasing Receivables	-	52.206	16.800	24.567
Banks	3.894	26	279	-
Financial Assets Measured at Fair Value through Profit/Loss	(85)	201	339	(58)
Other Accruals	17.479	1.453	13.337	8.260
Total	**12.156.517**	**1.348.043**	**15.300.767**	**904.370**

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

SECTION FIVE

II. Explanations And Disclosures Related To Consolidated Liabilities

1. Information on maturity structure of deposits

Current Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	**3.460.974**	**-**	**5.665.809**	**18.044.148**	**445.843**	**475.481**	**2.424.985**	**927**	**30.518.167**
Foreign Currency	**12.268.577**	**-**	**4.247.375**	**22.811.497**	**1.525.348**	**1.395.715**	**1.257.624**	**3.240**	**43.509.376**
Residents in Turkey	11.933.618	-	**4.210.897**	22.353.947	1.456.578	1.329.719	904.201	3.240	42.192.200
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**	**3.244**	**9.855**	**-**	**911.573**
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**	**209.396**	**13.358**	**-**	**3.578.929**
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	17.694	-	65.123	-	-	4.600	-	-	87.417
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	**21.034.000**	**-**	**15.571.575**	**49.406.739**	**2.825.326**	**2.219.856**	**4.012.599**	**4.167**	**95.074.262**

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	**2.947.836**	**-**	**4.403.875**	**16.913.430**	**4.014.224**	**1.658.762**	**2.408.105**	**1.782**	**32.348.014**
Foreign Currency	**7.995.756**	**-**	**2.407.375**	**22.134.039**	**1.565.763**	**1.394.003**	**1.152.070**	**-**	**36.649.006**
Residents in Turkey	7.751.152	-	2.394.949	21.580.333	1.485.330	1.328.027	886.352	-	35.426.143
Residents Abroad	244.604	-	12.426	553.706	80.433	65.976	265.718	-	1.222.863
Public Sector Deposits	**313.443**	**-**	**472**	**5.062**	**346**	**-**	**148**	**-**	**319.471**
Commercial Deposits	**2.088.318**	**-**	**2.802.222**	**4.459.722**	**1.177.734**	**218.963**	**480.501**	**-**	**11.227.460**
Other Ins. Deposits	**50.543**	**-**	**39.436**	**597.919**	**27.309**	**18.487**	**8.473**	**-**	**742.167**
Precious Metal Deposits	**1.724.647**	**-**	**-**	**43.459**	**1.525**	**10.188**	**82.694**	**-**	**1.862.513**
Bank Deposits	**555.547**	**-**	**272.549**	**2.007.939**	**802.759**	**37.747**	**1.044**	**-**	**3.677.585**
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	21.317	-	194.667	-	-	6.187	-	-	222.171
Foreign Banks	45.049	-	77.882	2.007.939	802.759	31.560	1.044	-	2.966.233
Participation Banks	489.181	-	-	-	-	-	-	-	489.181
Other	-	-	-	-	-	-	-	-	-
Total	**15.676.090**	**-**	**9.925.929**	**46.161.570**	**7.589.660**	**3.338.150**	**4.133.035**	**1.782**	**86.826.216**

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

1.1. Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Saving Deposits	14.789.260	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 Group is not located abroad.

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

	Current Period	**Prior Period**
Deposits and accounts in branches abroad	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 September 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:

a) Negative value of trading purpose derivatives:

	Current Period(*)		Prior Period	
	TL	**FC**	**TL**	**FC**
Forwards	79.539	1.381	132.707	65.035
Swaps	3.477.137	813.644	5.163.588	225.206
Futures	-	218	-	2.596
Options	140	14.082	477	141.101
Other	-	-	-	-
Total	**3.556.816**	**829.325**	**5.296.772**	**433.938**

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

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

3. Information on funds borrowed:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
T.R. Central Bank Loans	-	-	-	-
Domestic Banks and Institutions	930.800	1.123.833	710.513	981.566
Foreign Banks, Institutions and Funds	741.202	19.061.525	391.508	18.468.646
Total	**1.672.002**	**20.185.358**	**1.102.021**	**19.450.212**

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-Term	930.800	1.123.833	612.112	3.700.582
Medium and Long-Term	741.202	19.061.525	489.909	15.749.630
Total	**1.672.002**	**20.185.358**	**1.102.021**	**19.450.212**

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

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

As of June 30, 2019, the Group's liabilities comprise; 54% deposits (December 31, 2018 – 53%), 15% funds borrowed (December 31, 2018 – 13%), 8% issued bonds (December 31, 2018 – 7%) and 5% funds provided from money market borrowings. (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**	**-**	**237.136**	**-**
Financial institutions and organizations	1.588.136	-	72.397	-
Other institutions and organizations	10.111	-	155.425	-
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**	**238.485**	**4.622.546**

5. Information on securities issued (Net):

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Bank Bonds	4.906.457	-	3.482.767	388.754
Asset-backed securities(*)	508.718	-	436.650	-
Bills	151.901	7.906.209	164.757	7.377.149
Total	**5.567.076**	**7.906.209**	**4.084.174**	**7.765.903**

(*) Includes 200.000 TL on February 14, 2018, 200.000 TL on May 28, 2018, 36.650 TL on June 20, 2018 the nominal amounts are realized by QNB Finans Finansal Kiralama AŞ. and includes the amount of asset-backed securities issue issued by QNB Varlık Kiralama AŞ. amounting to TL 60.000 on June 14, 2019 and which is the fund user QNB Finansal Kiralama AŞ. The maturity of these issues is 12 February 2020, 27 May 2020, 17 June 2020 and 2 October 2019, respectively.

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

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

6. If other liabilities account exceeds 10% of total liabilities excluding the off-balance sheet items, information given about components of other liabilities account that exceed 20% of the individual liability item in the consolidated balance sheet:

Other liabilities does not exceed 10% of total liabilities excluding the off-balance sheet items (December 31, 2018 – Does not exceed 10%).

7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Interest rate and cash flows of the Group are the main criteria which are taken into consideration for the determination of payment plans in the leasing contracts.

7.1. Changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (December 31, 2018 – None).

7.2. Financial lease payables

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

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

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

8. Information on liabilities arising from hedging purpose derivatives

	Current Period(***)		Prior Period	
	TL	**FC**	**TL**	**FC**
Fair Value Hedge (*)	184.691	405.205	155.054	228.252
Cash Flow Hedge (**)	171.854	349.258	159.675	176.498
Net Investment Hedge	-	-	-	-
Total	**356.545**	**754.463**	**314.729**	**404.750**

(*) 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), TL 60.580 of leasing transactions (December 31, 2018 - TL 12.589), 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 derivatives which are the hedging instruments of deposits and floating dividends’ cash flow risk.

(***) At the current period, derivative financial liabilities for fair value hedge has shown at the line 7.1 in financial statements and derivative financial liabilities for cash flow hedge has shown at the line 7.2 in financial statements.

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

9. Information on provisions:

9.1. 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 Group has calculated reserve for employee termination benefits by using actuarial valuations as set out in TAS 19 and reflected these accompanying financial statements.

As of June 30, 2019, TL 196.837 (December 31, 2018 - TL 181.087) reserve for employee termination benefits was provided in the accompanying financial statements.

As of June 30, 2019, the Group accrued TL 61.802 (December 31, 2018 - TL 48.169) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of June 30, 2019, TL 157.939 (December 31, 2018 – TL 223.267) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

9.3.1 Movement of employee termination benefits

	Current Period 01.01-30.06.2019	Prior Period 01.01-30.06.2018
As of January 1	181.087	182.089
Service cost	11.879	12.807
Interest Cost	14.693	10.792
Settlement / curtailment / termination loss	6.017	3.430
Actuarial differences	1.413	(453)
Paid during the period	(18.252)	(16.964)
Total	**196.837**	**191.701**

9.4. Information on other provisions

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

10. Explanations on Tax Liabilities:

10.1 Information on current tax liability

10.1.1 Information on tax provision

As of June 30, 2019, the Group has current tax liability of TL 98.015 (December 31, 2018 - TL 802.797) and as of June 30, 2019, the Group has no prepaid tax (December 31, 2018 - None).

The current tax liability and the prepaid taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of June 30, 2019, after the offsetting, the current tax liability amounting to TL 157.355 (December 31, 2018 – TL 159.866) is disclosed with current tax asset TL 48.055 (December 31, 2018– TL 77.001).

(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	157.355	159.866
Taxation on Securities Income	128.279	70.842
Banking and Insurance Transaction Tax (BITT)	95.075	103.829
Taxation on Real Estates Income	3.144	2.349
VAT Payable	15	6.008
Other	26.925	29.414
Total	**410.793**	**372.308**

The Group presents The “Corporate Taxes Payable” balance in the “Current Tax Liability” account and other taxes are presented in the “Other Liabilities” account in the accompanying consolidated financial statements.

10.1.3 Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	24.573	10.156
Social Security Premiums - Employer Share	26.569	11.078
Pension Fund Fee and Provisions – Employee Share	33	14
Pension Fund Fee and Provisions – Employer Share	107	44
Unemployment Insurance - Employee Share	1.728	714
Unemployment Insurance - Employer Share	3.454	1.428
Other	43	35
Total	**56.507**	**23.469**

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
Debt Instruments subject to common equity	**-**	**3.028.207**	**-**	**-**
Subordinated Loans	-	3.028.207	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Insturments subject to tier 2 common equity	**-**	**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 June 30, 2019, the necessary amendments were made in the subordinate loan prospectus amounting to USD 525 million.

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	-	-

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

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

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

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

None (December 31, 2018 – None).

13.4 Information on share capital increases from revaluation funds

None (December 31, 2018 - None).

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

The Group does not have any capital commitments, all of the capital is fully paid-in.

13.6 Prior periods' indicators related with the Parent Bank's income, profit and liquidity and the possible effects of the uncertainties in these indicators on the Parent Bank's equity

None (December 31, 2018 - None).

13.7 Information on the privileges given to stocks representing the capital

None (December 31, 2018 - None).

14. Common stock issue premiums, shares and equity instruments

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

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

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

15. Marketable securities value increase fund

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Associates, Subsidiaries and Entities under Common Control	**-**	**-**	**-**	**-**
Valuation Differences	-	-	-	-
Foreign Exchange Rate Differences	-	-	-	-
Securities Available-for-Sale	**117.019**	**(672.793)**	**80.775**	**(534.108)**
Valuation Differences	117.019	(672.793)	80.775	(534.108)
Foreign Exchange Rate Differences	-	-	-	-
Total	**117.019**	**(672.793)**	**80.775**	**(534.108)**

16. Accrued interest and expenses

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Derivative Financial Liabilities	3.913.361	1.583.788	5.611.501	838.688
Deposits	668.185	71.072	643.659	86.485
Funds Borrowed	5.832	220.462	34.733	182.567
Money Market Borrowings	3.038	53.052	173	23.636
Issued Securities	4.325	156.797	4.675	52.478
Other Accruals	214.180	159.290	147.980	149.556
Total	**4.808.921**	**2.244.461**	**6.442.721**	**1.333.410**

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

SECTION FIVE

III. Explanations And Disclosures Related To Consolidated Off-Balance Sheet Items

1. Information related to consolidated off-balance sheet contingencies

1.1. Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	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	2.146.211
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 Activities	28.284	29.958
Tax and Fund Liabilities due to Export Commitments	32.004	28.728
Total	**46.498.097**	**38.789.100**

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

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

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

	Current Period	Prior Period
Bank Loans	4.873.573	4.476.254
Other Letters of Guarantee	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

Current Period(*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	9.925.488	8.964.150	155.469	52.644
Bill 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.

Prior Period(*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	8.565.050	8.715.903	163.828	40.405
Bill of Exchange and Acceptances	15.820	4.455.338	-	5.096
Letters of Credit	119	1.723.573	-	4.114
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**8.580.989**	**14.894.814**	**163.828**	**49.615**

(*)Specific provisions related to non-cash loans that are not compensated and not converted into cash but reserved for off-balance sheet items and 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 related to derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**91.534.101**	**111.507.211**
Forward transactions (*)	11.842.974	9.245.005
Swap transactions	72.703.385	89.696.716
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**	**153.973.305**
Types of hedging transactions		
Fair value hedges	32.875.409	24.232.920
Cash flow hedges	31.607.520	41.249.602
Net investment hedges	-	-
B. Total Hedging Related Derivatives	**64.482.929**	**65.482.522**
Total Derivative Transactions (A+B)	**209.141.034**	**219.455.827**

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

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

	Forward Buy (**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Current Period									
TL	3.322.622	931.112	9.949.050	24.507.484	1.124.266	1.871.737	41.366	13.143	-
USD	1.091.188	4.334.230	69.194.951	39.087.382	1.764.968	1.162.671	46.016	55.588	1.124.468
Euro	1.388.670	502.178	17.584.927	29.727.529	489.033	374.698	-	16.235	-
Other	113.820	159.154	-932.683	67.210	19.066	8.955	-	-	-
Total	**5.916.300**	**5.926.674**	**95.796.245**	**93.389.605**	**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.

	Forward Buy (**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Prior Period									
TL	1.586.501	1.358.560	17.160.920	33.366.298	2.341.028	3.164.010	-	-	-
USD	1.319.717	2.473.590	68.271.283	41.998.934	2.748.096	2.370.999	118.507	118.507	815.440
Euro	1.690.980	733.850	14.489.926	19.163.409	1.009.924	575.077	-	-	-
Other	34.998	46.809	2.354.769	24.353	31.116	88.226	-	-	-
Total	**4.632.196**	**4.612.809**	**102.276.898**	**94.552.994**	**6.130.164**	**6.198.312**	**118.507**	**118.507**	**815.440**

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

5.1 Fair value hedge accounting

a) Loans

The Parent Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TL 6.906.323 (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 income amounting to TL 42.115 due to the gain from the 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) loss is accounted for under “gain / (loss) from financial derivatives transactions” line in the accompanying financial statements.

As of balance sheet date fixed interest rate project finance loans amounting to TL 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 / (loss) from financial derivatives transactions” on accompanying financial statements.

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

b) Financial assets measured at fair value through other comprehensive income

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Parent Bank using swaps as hedging instruments. As at the balance sheet date; Eurobonds with a nominal of USD 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 gain 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 “gain / (loss) from financial derivatives transactions” line in the accompanying financial statements.

The Parent Bank does not apply fair value hedge on TL government bonds in the current period (December 31, 2018 – None).

c) Bonds issued

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 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 “Gain / (loss) from financial derivatives transactions” on accompanying financial statements.

QNB Finans Finansal Kiralama AŞ., the subsidiary of The Parent Bank, applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the TL bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of TL 133.412 (December 31, 2018 – TL 411.438) have been subject to hedge accounting with the same amount of swaps. As of June 30, 2019, TL 1 (June 30, 2018 – TL 100 net fair value difference loss) net fair valuation difference gain, net of TL 187 (June 30, 2018 – TL 2.456 loss) loss from issued bonds and TL 188 (June 30, 2018 – TL 2.556 gain) gain from swaps, has been recorded under “Gain/ (loss) from financial derivatives transactions” on accompanying financial statements.

d) Borrowings

The Parent Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2018- EUR 30 million) is subjected to hedge accounting with a swap having the same amount. As of June 30, 2019, a net mark to market difference loss at an amount of TL 76 (December 31, 2018- TL 11 loss) sourcing from loss at an amount of TL 1.255 (December 31, 2018 – TL 1.239 loss) from aforementioned credit and gain at an amount of TL 1.179 (December 31, 2018 – TL 1.228 gain) from swaps is recognized under “Gain/Loss from Derivative Financial Transactions.”

QNB Finans Finansal Kiralama AŞ., the subsidiary of The Parent Bank, implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate TL credits used. Credit at an amount of TL 488.791 (December 31, 2018 – TL 149.988) is subjected to hedge accounting with a swap having same amount. A net mark to market difference loss at an amount of TL 44 (June 30, 2018 - TL 586 net mark to market difference loss) sourcing from loss at an amount of TL 343 (June 30, 2018 – TL 1.826 gain) from aforementioned credit and loss at an amount of TL 387 (June 30, 2018 – TL 2.412 loss) from swaps is recognized under “Gain/Loss from Derivative Financial Transactions.”

5.2 Cash flow hedge accounting

a) Deposit

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity of 3 months, the Bank implements cash flow hedge accounting with interest rate swaps. The Parent Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 2.115.000 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 gain before taxes amounting to TL 100.010 are accounted for under equity during the current period (December 31, 2018 – TL 37.446 gain). The amounts for the ineffective portion of revenues in the amount of TL 2.092 gain is associated with the income statement (December 31, 2018 – TL 795 gain).

As of the balance sheet date, swaps with a nominal amount of USD 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 under equity during the current period (December 31, 2018 – TL 181.006 gain). The loss amounting to TL 178 (December 31, 2018 – TL 1.302 gain) relating to the ineffective portion is accounted under at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness at periods when the expected cash flows subject to hedge accounting affect profit or loss (as in periods when interest income or expense is recognized). In the current period there is profit of TL 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 Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to USD 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- TL 6.909 loss). The loss amounting to TL 842 for the ineffective portion is associated with statement of gain and loss.

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

c) Funds Borrowed

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies cash flow hedge accounting through interest rate swaps to hedge its interest rate fluctuations on floating rate foreign currency denominated loans. The Company applies efficiency tests for hedge accounting at each balance sheet date and the effective portions are accounted for under the "Interest Protection Funds" account item under equity under the financial statements as defined in TAS 39 and the amount related to the ineffective portion is associated with the income statement. As of the balance sheet date, swaps amounting to TL 432.518 (December 31, 2018 – TL 442.239) are subject to risk protection accounting as a hedge of risk. As a result of the related hedge accounting, fair value loss of TL 526 (June 30, 2018 – TL 137 gain) before tax is recognized under equity in the current period.

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

6. Credit derivatives and risk exposures on credit derivatives

As of June 30, 2019, the Parent 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 Parent Bank's "Swap Interest Sell Transactions." In aforementioned transaction, The Bank is the seller of the protection for USD 195.000.000.

7. Information on contingent liabilities and assets

The Parent Bank has recorded a provision of TL 109.188 (December 31, 2018 - TL 117.185) for litigation and has accounted for it in the accompanying financial statements. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

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

9. Information on the Parent 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 FC Issuer	B+	Long-Term (FC)	BB-
Long-Term Deposit Rating (TL)	B1	Short-Term FC Issuer	B	Short-Term (FC)	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL Issuer	BB-	FC Appearance	Negative
Short-Term Deposit Rating (TL)	NP	Short-Term TL Issuer	B	Financial Strength Rating	BB+
Main Credit Evaluation	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 Borrowing	B+		
Long-Term Foreign Currency Borrowing	B1	Support	4		
		Financial Capacity Rating	b+		

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

SECTION FIVE

IV. Explanations And Disclosures Related To Consolidated Income Statement

1. a) Information on interest income received from loans:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-Term Loans	3.301.719	132.210	2.168.967	41.808
Medium and Long-Term Loans	3.349.887	898.332	2.977.763	577.698
Non-Performing Loans	34.804	-	49.341	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total(*)	**6.686.410**	**1.030.542**	**5.196.071**	**619.506**

(*)Includes fees and commissions income from cash loans.

b) Information on interest income from banks:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
T.R. Central Bank (*)	-	-	-	-
Domestic Banks	69.750	4.001	110.653	218
Foreign Banks	1.858	44.182	1.198	9.221
Foreign Headquarters and Branches	-	-	-	-
Total	**71.608**	**48.183**	**111.851**	**9.439**

(*) The interest income on Required Reserve amounting TL 130.369 excluded from 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	6.112	391
Financial Assets Measured at Fair Value through Other Comprehensive Income	413.426	133.921
Financial Assets Measured at Amortized Cost	620.774	168.248
Total	**1.040.312**	**302.560**

	Prior Period	
	TL	**FC**
Financial Assets Measured at Fair Value through Profit/Loss	1.985	334
Financial Assets Measured at Fair Value through Other Comprehensive Income	273.133	70.173
Financial Assets Measured at Amortized Cost	284.128	109.563
Total	**559.246**	**180.070**

As stated in Section Three disclosure VII, the Parent Bank has inflation indexed (CPI) government bonds in its financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary. In this context, as of 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 Group's Marketable securities valuation differences after tax would be increased by TL 15,7 million and net profit would be decreased by TL 235,6 million to TL 1.145,8 million.

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

None (June 30, 2018 – None).

(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	**126.682**	**627.756**	**113.181**	**450.612**
T.R. Central Bank	-	-	-	-
Domestic Banks	84.826	18.526	65.225	10.259
Foreign Banks	41.856	609.230	47.956	440.353
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	**126.682**	**627.756**	**113.181**	**450.612**

(*) Includes fees and commissions expenses related to the cash loans.

b) Information on interest expense paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	4.122	1.003

c) Information on interest expense paid to securities issued:

As of June 30, 2019 the amount paid to securities issued is TL 811.707 (June 30, 2018 – TL 478.737).

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

Current Period		Time Deposits						
Account Name	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**Over 1 Year**	**Accumulated Deposit Account**	**Total**
Turkish Lira								
Bank Deposits	-	10.045	-	327	-	-	-	10.372
Saving Deposits	18	494.335	1.701.195	190.719	160.082	250.570	-	2.796.919
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**	**1.005.305**	**2.285.568**	**265.830**	**187.637**	**279.686**	**-**	**4.024.396**
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**	**1.071.545**	**2.615.820**	**299.251**	**212.206**	**296.778**	**-**	**4.496.272**

Prior Period		Time Deposits						
Account Name	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**Over 1 Year**	**Accumulated Deposit Account**	**Total**
Turkish Lira								
Bank Deposits	-	8.686	143	353	-	-	-	9.182
Saving Deposits	-	170.136	1.157.742	64.344	35.270	78.924	-	1.506.416
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	**-**	**376.249**	**1.366.877**	**81.524**	**71.576**	**126.367**	**-**	**2.022.593**
Foreign Currency								
Deposits	1	20.528	298.446	19.991	22.252	11.295	-	372.513
Bank Deposits	149	29.795	9.030	407	97	-	-	39.478
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	633	-	-	-	-	-	633
Total	**150**	**50.956**	**307.476**	**20.398**	**22.349**	**11.295**	**-**	**412.624**
Grand Total	**150**	**427.205**	**1.674.353**	**101.922**	**93.925**	**137.662**	**-**	**2.435.217**

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

e) Information on interest expenses on repurchase agreements

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Interest Expenses on Repurchase Agreements (*)	94.843	100.444	91.889	58.731

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

f) Information on finance lease expenses

None (June 30, 2018 – None).

g) Information on interest expenses on factoring payables

None (June 30, 2018 – None).

3. Information on dividend income:

	Current Period	Prior Period
Derivative Financial Assets at Fair Value Through Profit or Lc	-	807
Financial Assets at Fair Value Through Profit or Loss	142	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Other	2.762	2.787
Total	**2.904**	**3.594**

4. Information on trading income/loss:

	Current Period	Prior Period
Trading Gain	**9.957.303**	**8.528.755**
Trading account gain	54.599	28.870
Gain from derivative transactions	7.344.975	5.598.871
Foreign exchange gain/losses	2.557.729	2.901.014
Trading Loss (-)	**10.232.477**	**9.221.709**
Losses on Capital Market Operations	34.939	19.385
Derivative Financial Instruments	7.480.155	5.585.675
Foreign Exchange Losses	2.717.383	3.616.649
Net Trading Income/Loss	**(275.174)**	**(692.954)**

5. Information on other operating income:

The Group recorded the current year collections from loans written off in the previous periods, portfolio management fees and expense accruals cancelations in "Other Operating Income" account.

6. Provision for losses on loans and other receivables:

	Current Period	Prior Period
Expected Credit Losses Provisions	**1.053.922**	**545.848**
12 Month Expected Credit Loss (Stage I)	6.385	(106.055)
Significant Increase in Credit Risk (Stage 2)	355.440	251.707
Lifetime ECL Impaired Credits (Stage 3)	692.097	400.196
Marketable Securities Impairment Provision	**(17.647)**	**4.503**
Financial Assets Measured at Fair Value Through Profit/Loss	-	2.511
Financial Assets Measured at Other Comprehensive Income	(17.647)	1.992
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	**-**	**-**
Investment in Associates	-	-
Subsidiaires	-	-
Joint Ventures	-	-
Other	**13.378**	**87.063**
Total	**1.049.653**	**637.414**

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

7. Information on other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits(*)	14.337	10.065
Bank social aid fund deficit provision	-	-
Impairment expenses on tangible fixed asset	-	-
Depreciation expenses on intangible fixed asset	185.511	68.720
Impairment expenses on intangible fixed asset	-	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible asset	63.925	58.660
Impairment expenses of equity participation for which equity method is applied	-	-
Impairment expenses of assets held for resale	-	-
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale	-	-
Other Operating Expenses	580.448	592.534
IFRS 16 Leasing expenses	*4.874*	*114.462*
Maintenance expenses	*122.647*	*77.484*
Advertiesment expenses	*42.962*	*64.495*
Other expenses	*409.965*	*336.093*
Loss on sales of assets	34	2
Other (**)	229.324	204.956
Total	**1.073.579**	**934.937**

(*)Reserve for employee termination benefits has classified under personnel expenses in balance sheet.

(**) 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 of TL 3.450.336 (June 30, 2018 – TL 3.456.144), net fees and commission income of TL 1.342.553 (June 30, 2018 – TL 1.033.283) and other operating income of TL 30.734 (June 30, 2018 – TL 36.327) constitute an important part of the period income.

9. Explanations on tax provision for continued and discontinued operations:

9.1. Current period taxation benefit or charge and deferred tax benefit or charge

As of June 30, 2019, the Group recorded current tax income of TL 98.015 (June 30, 2018 - TL 447.877 current tax charges) and a deferred tax charges of TL 311.887 (June 30, 2018 – TL 114.736 deferred tax charges).

	Current Period	Prior Period
Current Tax Provision	98.015	(447.877)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/Expense	(311.887)	114.736
Total	**(213.872)**	**(333.141)**

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 Group from continued operations is TL 1.381.418 (June 30, 2018 – TL 1.237.120).

11. Explanations on net income/loss for the period

11.1. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period

None (June 30, 2018 – None).

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

11.2 There is no material effect of changes in accounting estimates by the Group on income statement for the current and, for subsequent periods

None (June 30, 2018 – None).

11.3 Profit or loss attributable to minority shares

	Current Period	Prior Period
Profit / Loss Attributable to Minority Shares	319	415

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

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

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

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

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

VI. Explanations And Disclosures Related To Consolidated Cash Flows Statement

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

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

SECTION FIVE

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

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

1.1. As of June 30, 2019, the Parent Bank's risk group has deposits amounting to TL 239.716 (December 31, 2018 – TL 186.992), cash loans amounting to TL 1.351 (December 31, 2018 – TL 1.851) and non-cash loans amounting to TL 9.115 (December 31, 2018- TL 8.897).

Current Period

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	10	1.755	-	96	8.887
Balance at the End of the Period	-	5	1.304	-	47	9.110
Interest and Commission Income	-	-	-	-	349	37

Prior Period

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	20	613	-	146	6.441
Balance at the End of the Period	-	10	1.755	-	96	8.887
Interest and Commission Income (**)	-	1	-	20	16	28

(*) As described in the Article 49 of Banking Law No 5411.
(**) Prior Period represents June 30, 2018 balance.

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

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	27.885	18.054	-	-	159.107	172.990
Balance at the End of the Period	18.099	27.885	-	-	221.617	159.107
Interest on deposits (**)	4.122	1.003	-	-	8.841	10.991

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

(**) Prior Period 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 Parent Bank's risk group

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	-	-	-	1.046	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss(**)	-	-	-	37	46	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss(**)	-	-	-	-	-	-

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

(**) Prior Period represents June 30, 2018 balance.

1.4 Information on benefits provided for Key Management

As of June 30, 2019, the total amount of remuneration and bonuses paid to key management of the Group is TL 104.585 (June 30, 2018- TL 76.479).

2. Disclosures of transactions with the Parent Bank's risk group

2.1. Relations with entities in the risk group of / or controlled by the Parent Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

2.2 In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other matters

As of June 30, 2019, the rate of cash loans of the risk group divided by to total loans is 0,1%; (December 31, 2018 – 0%); the deposits represented 0,3% (December 31, 2018 – 0,5%) The ratio of total derivative transactions with derivatives risk is 0,0% (December 31, 2018 – 0,0%).

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

The Parent Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş.

The Parent Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

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

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

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

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

SECTION FIVE

VIII. Other Explanations Related to the Group's Operations

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

The issuances of the Bank after the balance sheet date are as follows.

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

The consolidated 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 limited report dated July 30, 2019 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2018 – None).

SECTION SEVEN
CONSOLIDATED INTERIM ACTIVITY REPORT

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

Message by the Chairman

Dear Shareholders,

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 Consolidated Financials Belonging to the Period of June 30, 2019

Principal Financial Indicators (Million TL)	June 30, 2019	December 31, 2018
Net Total Loans	99.866	94.315
Securities	25.558	21.387
Total Assets	177.564	163.500
Customer Deposits	91.495	83.149
Equity	15.375	14.603

	June 30, 2019	June 30, 2018
Net Interest Income	3.450	3.456
Net Fee and Commission Income	1.343	1.033
Provision for Loans and Other Receivables (-)	1.050	637
Profit Before Tax	**1.595**	**1.570**
Tax Provision	214	333
Net Profit for the Period	**1.381**	**1.237**

As of June 30, 2019 total assets of the Group increased by 9% and realized TL 177 billion and 564 million. When compared with the end of year 2018, net loans increased by 6% and reached TL 99 billion and 866 million while Customer Deposits increased by 10% and reached up to TL 91 billion and 495 million.

When compared with the first six-month of year 2019, net fees and commission income increased by 30% and reached TL 1 billion and 343 million. Consolidated profit of the Group before tax reached TL 1 billion and 595 million and the consolidated net profit for the first six-month came in at TL 1 billion and 381 million.

When compared with June 30, 2018, total consolidated shareholders' equity increased by 5% and reached up to TL 15 billion 375 million. As of June 30, 2019 capital adequacy ratio of the Group was 15,25%.

As of June 30, 2019, The Parent Bank has operated with 543 branches and 12.806 employers.

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

Assets

The Parent Bank maintained its customer-oriented activities during year the 2019 and continued to grow mainly in corporate banking and commercial loans. As of June 30, 2019 total consolidated net loans increased by 6% and reached TL 99 billion and 866 million in 2018 while total consolidated assets increased by 9% and reached TL 177 billion and 564 million compared to the end of 2019. The Bank has maintained developing of corporate based loans (Corporate, Commercial and SMEs) which the Bank has focused strategically during 2018 and corporate based loans have increased by 8%.

Liabilities

Total customer deposits of the Group increased by 5% and reached TL 15 billion and 375 million and shareholders' equity increased by 10% and reached TL 91 billion and 495 million.

Profitability

Net interest income increased by 0,2% and reached TL 3 billion and 450 million and net fees and commission income increased by 30% and reached TL 1 billion and 343 million. Profit before tax of the Parent Bank reached TL 1 billion and 595 million and the net profit for the period reached TL 1 billion and 381 million.

Solvency

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

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

General Grants realized during the Period

General grants realized as of June 30, 2019 was TL 414.