QNB FİNANSBANK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT, CONSOLIDATED FINANCIAL STATEMENTS, NOTES AND CONSOLIDATED INTERIM ACTIVITY REPORT FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 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 September 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 nine-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 September 30, 2019 and of the results of its operations and its cash flows for the nine 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
Partner, SMMM

October 30, 2019
Istanbul, Turkey

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

THE CONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş. FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 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 nine month period ended September 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 nine month period then ended September 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	: Elif Akan / Financial Reporting Manager
Phone Number	: (0 212) 318 57 80
Facsimile Number	: (0 212) 318 55 78

INDEX

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

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 September 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
Cenk Akıncılar	Executive Vice President	January 21, 2019	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

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 September 30, 2019, the Parent Bank operates through 540 domestics (December 31, 2018 – 540), 1 foreign (December 31, 2018 – 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2018 – 1) branches. As of September 30, 2019, the Group has 12.740 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)
II. Consolidated Statement of Off-Balance Sheet Commitments and Contingencies
III. Consolidated Statement of Profit or Loss
IV. Consolidated Statement of Profit or Loss and Other Comprehensive Income
V. Consolidated Statement of Changes in Shareholders' Equity
VI. Consolidated Statement of Cash Flows

(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 NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2019
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET – ASSETS

				Reviewed 30.09.2019			Audited 31.12.2018(*)	
		Section 5 Note I	TL	FC	TOTAL	TL	FC	TOTAL
I.	**FINANCIAL ASSETS (Net)**		**17.477.898**	**26.182.316**	**43.660.214**	**18.722.660**	**22.505.832**	**41.228.492**
1.1	**Cash and Cash Equivalents**		**5.791.761**	**18.387.377**	**24.179.138**	**2.500.305**	**17.725.314**	**20.225.619**
1.1.1	Cash and Balances with The Central Bank	(1)	1.930.626	16.602.152	18.532.778	1.822.718	16.688.725	18.511.443
1.1.2	Banks	(3)	1.552.602	1.785.231	3.337.833	205.463	1.036.589	1.242.052
1.1.3	Receivables From Money Market	(4)	2.326.090	-	2.326.090	509.711	-	509.711
1.1.4	Expected Credit Losses (-)		17.557	6	17.563	37.587	-	37.587
1.2	**Financial Assets Measured at Fair Value through Profit/Loss**	**(2)**	**212.136**	**146.077**	**358.213**	**42.381**	**113.390**	**155.771**
1.2.1	Public Sector Debt Securities		150.253	17.142	167.395	19.616	2.811	22.427
1.2.2	Equity Securities		23.729	-	23.729	7.320	-	7.320
1.2.3	Other Financial Assets		38.154	128.935	167.089	15.445	110.579	126.024
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income**	**(5)**	**4.722.982**	**6.230.226**	**10.953.208**	**4.547.355**	**3.898.418**	**8.445.773**
1.3.1	Public Sector Debt Securities		4.713.791	6.048.553	10.762.344	4.540.725	3.763.899	8.304.624
1.3.2	Equity Securities		7.674	158.832	166.506	4.912	113.259	118.171
1.3.3	Other Financial Assets		1.517	22.841	24.358	1.718	21.260	22.978
1.4	**Derivative Financial Assets**	**(12)**	**6.751.019**	**1.418.636**	**8.169.655**	**11.632.619**	**768.710**	**12.401.329**
1.4.1	Derivative Financial Assets at Fair Value Through Profit/Loss		5.362.833	1.374.845	6.737.678	8.929.754	657.292	9.587.046
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1.388.186	43.791	1.431.977	2.702.865	111.418	2.814.283
II.	**FINANCIAL ASSETS MEASURED AT AMORTİZED COST (Net)**		**80.463.876**	**43.842.496**	**124.306.372**	**75.233.583**	**37.928.092**	**113.161.675**
2.1	**Loans**	**(6)**	**78.273.986**	**33.208.502**	**111.482.488**	**72.713.180**	**29.200.104**	**101.913.284**
2.2	**Lease Receivables**	**(11)**	**796.716**	**3.742.757**	**4.539.473**	**1.381.904**	**3.706.195**	**5.088.099**
2.3	**Factoring Receivables**	**(7)**	**883.617**	**119.677**	**1.003.294**	**868.619**	**104.385**	**973.004**
2.4	**Other Financial Assets Measured at Amortized Cost**	**(8)**	**8.668.199**	**6.904.456**	**15.572.655**	**7.916.505**	**5.015.688**	**12.932.193**
2.4.1	Public Sector Debt Securities		8.668.199	6.307.353	14.975.552	7.916.505	4.283.527	12.200.032
2.4.2	Other Financial Assets		-	597.103	597.103	-	732.161	732.161
2.5	**Expected Credit Losses (-)**		**8.158.642**	**132.896**	**8.291.538**	**7.646.625**	**98.280**	**7.744.905**
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	**(15)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1	Held for sale		-	-	-	-	-	-
3.2	Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS (Net)**		**198.846**	**-**	**198.846**	**186.645**	**-**	**186.645**
4.1	**Investment in Associates (Net)**	**(9)**	**7.122**	**-**	**7.122**	**5.982**	**-**	**5.982**
4.1.1	Equity Method Associates		-	-	-	-	-	-
4.1.2	Unconsolidated		7.122	-	7.122	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)**	**153.686**	**-**	**153.686**	**142.609**	**-**	**142.609**
4.3.1	Equity method associates		150.886	-	150.886	139.809	-	139.809
4.3.2	Unconsolidated		2.800	-	2.800	2.800	-	2.800
V.	**TANGIBLE ASSETS (Net)**		**3.229.940**	**451**	**3.230.391**	**2.868.939**	**61**	**2.869.000**
VI.	**INTANGIBLE ASSETS (Net)**		**446.151**	**-**	**446.151**	**411.200**	**-**	**411.200**
6.1	Goodwill		-	-	-	-	-	-
6.2	Others		446.151	-	446.151	411.200	-	411.200
VII.	**INVESTMENT PROPERTIES (Net)**	**(13)**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**	**(14)**	**41.530**	**-**	**41.530**	**77.001**	**-**	**77.001**
IX.	**DEFERRED TAX ASSET**	**(14)**	**447.747**	**-**	**447.747**	**618.081**	**-**	**618.081**
X.	**OTHER ASSETS**	**(16)**	**3.230.823**	**3.954.181**	**7.185.004**	**2.747.944**	**2.200.196**	**4.948.140**
	TOTAL ASSETS		**105.536.811**	**73.979.444**	**179.516.255**	**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.

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

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

				Reviewed 30.09.2019			Audited 31.12.2018(*)	
		Section 5 Note II	TL	FC	TOTAL	TL	FC	TOTAL
I.	**DEPOSITS**	**(1)**	**45.175.183**	**53.867.791**	**99.042.974**	**44.763.096**	**42.063.120**	**86.826.216**
II.	**FUNDS BORROWED**	**(3)**	**1.336.838**	**18.578.835**	**19.915.673**	**1.102.021**	**19.450.212**	**20.552.233**
III.	**MONEY MARKET BORROWINGS**	**(4)**	**1.637.167**	**7.048.560**	**8.685.727**	**711.126**	**4.622.546**	**5.333.672**
IV.	**SECURITIES ISSUED (NET)**	**(5)**	**5.115.121**	**8.178.041**	**13.293.162**	**4.084.174**	**7.765.903**	**11.850.077**
4.1	Bills		4.433.090	173.717	4.606.807	3.482.767	388.754	3.871.521
4.2	Asset Backed Securities		508.550	-	508.550	436.650	-	436.650
4.3	Bonds		173.481	8.004.324	8.177.805	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**		**3.954.406**	**1.894.119**	**5.848.525**	**5.611.501**	**838.688**	**6.450.189**
7.1	Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net)	(2)	3.289.616	1.441.460	4.731.076	5.451.826	662.190	6.114.016
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	664.790	452.659	1.117.449	159.675	176.498	336.173
VIII.	**FACTORING PAYABLES**		-	-	-	-	-	-
IX.	**LEASE PAYABLES (Net)**	**(7)**	**310.496**	**20.515**	**331.011**	-	-	-
X.	**PROVISIONS**	**(9)**	**796.261**	-	**796.261**	**826.061**	-	**826.061**
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		457.694	-	457.694	452.523	-	452.523
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		338.567	-	338.567	373.538	-	373.538
XI.	**CURRENT TAX LIABILITY**	**(10)**	**81.562**	-	**81.562**	**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)**	-	**5.285.425**	**5.285.425**	-	**4.816.098**	**4.816.098**
14.1	Subordinated Loans		-	5.285.425	5.285.425	-	4.816.098	4.816.098
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	**OTHER LIABILITIES**		**6.325.791**	**4.060.673**	**10.386.464**	**5.189.832**	**6.892.547**	**12.082.379**
XVI.	**SHAREHOLDERS' EQUITY**	**(13)**	**16.759.846**	**(910.375)**	**15.849.471**	**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		(55.093)	82.609	27.516	(52.953)	44.291	(8.662)
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		(37.155)	(992.984)	(1.030.139)	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		2.140.350	-	2.140.350	2.572.708	-	2.572.708
16.6.1	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Period's Net Profit/Loss		2.140.350	-	2.140.350	2.572.708	-	2.572.708
16.7	Minority Interest		7.252	-	7.252	6.791	-	6.791
	TOTAL LIABILITIES		**81.492.671**	**98.023.584**	**179.516.255**	**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 NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2019

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

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

				Reviewed 30.09.2019			Audited 31.12.2018	
		Section 5 Note III	TL	FC	TOTAL	TL	FC	TOTAL
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**133.166.929**	**199.310.508**	**332.477.437**	**130.725.576**	**177.963.434**	**308.689.010**
I.	**GUARANTEES**	**(1), (2), (3), (4)**	**10.156.082**	**15.092.334**	**25.248.416**	**8.744.817**	**14.944.429**	**23.689.264**
1.1.	Letters of guarantee		10.061.940	8.458.133	18.520.073	8.728.878	8.756.308	17.485.186
1.1.1.	Guarantees subject to State Tender Law		408.874	56.987	465.861	363.694	43.691	407.385
1.1.2.	Guarantees given for foreign trade operations		5.142.932	8.401.146	13.544.078	4.414.542	8.712.617	13.127.159
1.1.3.	Other letters of guarantee		4.510.134	-	4.510.134	3.950.642	-	3.950.642
1.2.	Bank loans		23.857	4.868.418	4.892.275	15.820	4.460.434	4.476.254
1.2.1.	Import letter of acceptance		23.857	4.868.418	4.892.275	15.820	4.460.434	4.476.254
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		70.285	1.765.783	1.836.068	119	1.727.687	1.727.806
1.3.1.	Documentary letters of credit		70.285	1.559.641	1.629.926	119	1.682.271	1.682.390
1.3.2.	Other letters of credit		-	206.142	206.142	-	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**		**78.669.046**	**4.918.757**	**83.587.803**	**63.715.808**	**3.974.340**	**67.690.148**
2.1.	Irrevocable commitments	(1)	45.144.003	4.659.765	49.803.768	36.609.777	2.179.323	38.789.100
2.1.1.	Forward asset purchase commitments		1.723.199	3.642.449	5.365.648	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		13.344.168	566	13.344.734	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		2.470.491	-	2.470.491	2.181.264	-	2.181.264
2.1.8.	Tax and fund liabilities from export commitments		29.502	-	29.502	28.728	-	28.728
2.1.9.	Commitments for credit card expenditure limits		26.722.758	-	26.722.758	22.362.300	-	22.362.300
2.1.10.	Commitments for promotions related with credit cards and banking activities		42.478	-	42.478	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		811.407	1.016.750	1.828.157	727.879	460.575	1.188.454
2.2.	Revocable commitments		33.525.043	258.992	33.784.035	27.106.031	1.795.017	28.901.048
2.2.1.	Revocable loan granting commitments		33.452.081	-	33.452.081	27.048.976	1.678.758	28.727.734
2.2.2.	Other revocable commitments		72.962	258.992	331.954	57.055	116.259	173.314
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(5), (6)**	**44.341.801**	**179.299.417**	**223.641.218**	**58.264.951**	**159.044.665**	**217.309.616**
3.1	Derivative financial instruments for hedging purposes		17.879.292	59.802.101	77.681.393	18.063.782	47.418.740	65.482.522
3.1.1	Fair value hedge		7.291.403	25.250.153	32.541.556	6.676.382	17.556.538	24.232.920
3.1.2	Cash flow hedge		10.587.889	34.551.948	45.139.837	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		26.462.509	119.497.316	145.959.825	40.201.169	111.625.925	151.827.094
3.2.1	Forward foreign currency buy/sell transactions		2.511.572	5.441.411	7.952.983	2.517.071	4.581.723	7.098.794
3.2.1.1	Forward foreign currency transactions-buy		2.001.230	1.949.374	3.950.604	1.335.604	2.193.969	3.529.573
3.2.1.2	Forward foreign currency transactions-sell		510.342	3.492.037	4.002.379	1.181.467	2.387.754	3.569.221
3.2.2	Swap transactions related to foreign currency and interest rates		19.144.924	107.512.426	126.657.350	32.179.059	99.168.311	131.347.370
3.2.2.1	Foreign currency swap-buy		5.296.543	30.108.216	35.404.759	14.037.137	30.588.966	44.626.103
3.2.2.2	Foreign currency swap-sell		13.848.381	21.775.874	35.624.255	16.501.922	28.568.691	45.070.613
3.2.2.3	Interest rate swaps-buy		-	27.814.168	27.814.168	820.000	20.005.327	20.825.327
3.2.2.4	Interest rate swaps-sell		-	27.814.168	27.814.168	820.000	20.005.327	20.825.327
3.2.3	Foreign currency, interest rate and **securities** options		4.741.612	5.018.702	9.760.314	5.505.039	6.823.437	12.328.476
3.2.3.1	Foreign currency options-buy		1.787.090	3.047.122	4.834.212	2.341.029	3.789.135	6.130.164
3.2.3.2	Foreign currency options-sell		2.954.522	1.971.580	4.926.102	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		64.401	308.070	372.471	-	237.014	237.014
3.2.4.1	Foreign currency futures-buy		11.063	176.000	187.063	-	118.507	118.507
3.2.4.2	Foreign currency futures-sell		53.338	132.070	185.408	-	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		-	1.216.707	1.216.707	-	815.440	815.440
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**811.788.048**	**182.410.590**	**994.198.638**	**737.183.757**	**166.377.574**	**903.561.331**
IV.	**ITEMS HELD IN CUSTODY**		**107.039.878**	**9.162.006**	**116.201.884**	**69.147.240**	**7.436.300**	**76.583.540**
4.1.	Assets under management		2.802.974	46.370	2.849.344	384.389	15.581	399.970
4.2.	Investment securities held in custody		65.113.810	3.899.279	69.013.089	34.063.877	2.863.101	36.926.978
4.3.	Checks received for collection		5.293.583	1.045.715	6.339.298	4.428.561	688.567	5.117.128
4.4.	Commercial notes received for collection		1.786.883	382.682	2.169.565	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		32.042.628	3.787.960	35.830.588	28.753.779	3.526.989	32.280.768
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**422.275.399**	**106.931.558**	**529.206.957**	**406.505.048**	**96.312.753**	**502.817.801**
5.1.	Marketable securities		3.518.557	8.150.674	11.669.231	2.523.879	8.044.413	10.568.292
5.2.	Guarantee notes		443.479	139.095	582.574	442.693	131.866	574.559
5.3.	Commodity		134.918	-	134.918	66.090	-	66.090
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		97.734.483	55.481.618	153.216.101	90.756.028	53.481.420	144.237.448
5.6.	Other pledged items		320.443.962	43.160.171	363.604.133	312.716.358	34.655.054	347.371.412
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**282.472.771**	**66.317.026**	**348.789.797**	**261.531.469**	**62.628.521**	**324.159.990**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**944.954.977**	**381.721.098**	**1.326.676.075**	**867.909.333**	**344.341.008**	**1.212.250.341**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 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 - 30.09.2019	Reviewed 01.07 - 30.09.2019	Reviewed 01.01 - 30.09.2018 (*)	Reviewed 01.07 - 30.09.2018
I.	**INTEREST INCOME**	**(1)**	**14.599.431**	**4.811.730**	**11.819.102**	**4.681.826**
1.1	Interest income on loans		11.550.350	3.833.398	9.602.771	3.787.194
1.2	Interest income on reserve deposits		185.223	54.854	140.463	54.803
1.3	Interest income on banks		206.568	86.777	166.122	44.832
1.4	Interest income on money market transactions		133.455	68.573	35.346	6.064
1.5	Interest income on securities portfolio		1.902.220	559.348	1.303.039	563.723
1.5.1	Financial assets measured at FVTPL		14.802	8.299	2.670	351
1.5.2	Financial assets measured at FVOCI		805.112	257.765	565.459	222.153
1.5.3	Financial assets measured at amortized cost		1.082.306	293.284	734.910	341.219
1.6	Financial lease income		390.352	130.339	362.023	144.051
1.7	Other interest income		231.263	78.441	209.338	81.159
II.	**INTEREST EXPENSE (-)**	**(2)**	**9.187.625**	**2.850.260**	**6.265.539**	**2.584.407**
2.1	Interest on deposits		6.448.815	1.952.543	4.166.649	1.731.432
2.2	Interest on funds borrowed		1.125.617	371.179	1.010.395	446.602
2.3	Interest on money market transactions		348.180	117.200	291.801	109.865
2.4	Interest on securities issued		1.202.882	391.175	783.275	304.538
2.5	Interests on leasings		49.106	15.302	385	145
2.6	Other interest expenses		13.025	2.861	13.034	(8.175)
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**5.411.806**	**1.961.470**	**5.553.563**	**2.097.419**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**2.096.999**	**754.446**	**1.583.612**	**550.329**
4.1	Fees and commissions received		2.609.147	943.545	1.960.122	707.427
4.1.1	Non-cash loans		123.939	42.758	80.032	29.613
4.1.2	Others		2.485.208	900.787	1.880.090	677.814
4.2	Fees and commissions paid (-)		512.148	189.099	376.510	157.098
4.2.1	Non-cash loans		1.489	513	1.182	374
4.2.2	Others		510.659	188.586	375.328	156.724
V.	**DIVIDEND INCOME**	**(3)**	**2.909**	**5**	**4.255**	**661**
VI.	**NET TRADING INCOME/LOSS (Net)**	**(4)**	**(709.123)**	**(433.949)**	**(921.442)**	**(228.488)**
6.1	Trading account gain/losses		38.102	18.442	15.929	6.444
6.2	Gain/losses from derivative transactions		(616.044)	(480.864)	1.183.756	1.170.560
6.3	Foreign exchange gain/losses		(131.181)	28.473	(2.121.127)	(1.405.492)
VII.	**OTHER OPERATING INCOME**	**(5)**	**141.204**	**110.470**	**56.799**	**20.472**
VIII.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)**		**6.943.795**	**2.392.442**	**6.276.787**	**2.440.393**
IX.	**EXPECTED CREDIT LOSSES (-)**	**(6)**	**1.399.776**	**409.926**	**1.387.596**	**832.935**
X.	**OTHER PROVISION LOSSES (-)**		**50.197**	**(9.606)**	**(23.819)**	**(106.572)**
XI.	**PERSONNEL EXPENSES (-)**		**1.346.547**	**458.121**	**1.116.702**	**390.189**
XII.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**1.651.943**	**592.701**	**1.432.347**	**507.475**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**2.495.332**	**941.300**	**2.363.961**	**816.366**
XIV.	**INCOME RESULTED FROM MERGERS**		**-**	**-**	**-**	**-**
XV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**66.812**	**25.554**	**33.509**	**10.843**
XVI.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**	**-**	**-**
XVII.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+…+XV)**	**(8)**	**2.562.144**	**966.854**	**2.397.470**	**827.209**
XVIII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	**(9)**	**(421.333)**	**(207.461)**	**(496.212)**	**(163.071)**
18.1	Current tax charge		19.414	(78.601)	(923.492)	(475.615)
18.2	Deferred tax charge (+)		127.370	(274.027)	1.049.468	571.001
18.3	Deferred tax credit (-)		(568.117)	145.167	(622.188)	(258.457)
XIX.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)**	**(10)**	**2.140.811**	**759.393**	**1.901.258**	**664.138**
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)**	**2.140.811**	**759.393**	**1.901.258**	**664.138**
25.1	Group's profit/loss		2.140.350	**759.251**	**1.900.702**	**663.997**
25.2	Minority interest		461	142	556	141
	Earnings Per Share		0,0639	0,0227	0,0567	0,0198

(*) 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 NINE MONTH PERIOD THEN ENDED SEPTEMBER 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 – 30.09.2019	Reviewed 01.01 – 30.09.2018
I.	**CURRENT PERIOD PROFIT/LOSS**	**2.140.811**	**1.901.258**
II.	**OTHER COMPREHENSIVE INCOME**	**(894.783)**	**339.485**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**36.178**	**47.763**
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	(2.744)	1.492
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	40.548	49.311
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(1.626)	(3.040)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**(930.961)**	**291.722**
2.2.1	Translation Differences	-	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(4.940)	(708.677)
2.2.3	Gains/losses from Cash Flow Hedges	(1.198.060)	1.083.415
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	272.039	(83.016)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**1.246.028**	**2.240.743**

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 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 – 30.09.2018																	
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**		**-**	**-**	**-**	**-**	**-**	**1.164**	**46.599**	**-**	**(561.225)**	**852.947**	**-**	**-**	**1.900.702**	**2.240.187**	**556**	**2.240.743**
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**	**-**	**-**	**-**	**(67.148)**	**68.150**	**-**	**(723.838)**	**1.084.794**	**8.781.070**	**-**	**1.900.702**	**14.394.444**	**6.850**	**14.401.294**

							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 – 30.09.2019																	
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**		**-**	**-**	**-**	**-**	**-**	**(2.140)**	**38.318**	**-**	**4.189**	**(935.150)**	**-**	**-**	**2.140.350**	**1.245.567**	**461**	**1.246.028**
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**	**-**	**-**	**-**	**(55.093)**	**82.609**	**-**	**(492.153)**	**(537.986)**	**11.353.778**	**-**	**2.140.350**	**15.842.219**	**7.252**	**15.849.471**

(*) Accumulated amounts of share of investments accounted for by the equity method that cannot 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.

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

		Section 5 Part VI	Reviewed 01.01 – 30.09.2019	Reviewed 01.01 – 30.09.2018
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities (+)**		**4.223.176**	**8.371.433**
1.1.1	Interest received (+)		13.343.854	9.259.306
1.1.2	Interest paid (-)		(9.372.526)	5.206.840
1.1.3	Dividend received (+)		2.909	4.255
1.1.4	Fees and commissions received (+)		2.609.628	1.961.203
1.1.5	Other income (+)		141.204	56.799
1.1.6	Collections from previously written off loans (+)		1.080.168	490.681
1.1.7	Payments to personnel and service suppliers (-)		(910.937)	(2.025.739)
1.1.8	Taxes paid (-)		(645.543)	(538.775)
1.1.9	Other (+/-)		(2.025.581)	(6.043.137)
1.2	**Changes in operating assets and liabilities**		**4.130.138**	**1.800.297**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss (+/-)		(200.331)	98.834
1.2.2	Net (increase) decrease in due from banks (+/-)		1.709.594	(751.058)
1.2.3	Net (increase) decrease in loans (+/-)		(13.736.700)	(1.888.254)
1.2.4	Net (increase) decrease in other assets (+/-)		(2.201.629)	(3.819.061)
1.2.5	Net increase (decrease) in bank deposits (+/-)		1.044.109	619.059
1.2.6	Net increase (decrease) in other deposits (+/-)		15.205.579	(912.533)
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 (+/-)		1.985.349	(1.425.945)
1.2.9	Net increase (decrease) in matured payables (+/-)		-	-
1.2.10	Net increase (decrease) in other liabilities (+/-)		324.167	9.879.255
I.	**Net cash provided from banking operations (+/-)**		**8.353.314**	**10.171.730**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from / (used in) investing activities (+/-)**		**(3.855.456)**	**(2.329.763)**
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 (-)		(113.507)	751.853
2.4	Fixed assets sales (+)		17.285	(842.978)
2.5	Cash paid for purchase of financial assets measured at fair value through other comprehensive income (-)		(4.332.050)	(2.165.557)
2.6	Cash obtained from sale of financial assets measured at fair value through other comprehensive income (+)		2.456.187	1.158.614
2.7	Cash paid for purchase of Financial Assets Measured at Amortized Cost (-)		(3.053.657)	(1.660.300)
2.8	Cash obtained from sale of Financial Assets Measured at Amortized Cost (+)		1.303.075	540.750
2.9	Other (+/-)		(132.789)	(112.145)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from / (used in) financing activities (+/-)**		**1.418.092**	**(572.825)**
3.1	Cash obtained from funds borrowed and securities issued (+)		3.913.580	2.668.969
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 (-)		(202.078)	-
3.6	Other (+/-)		-	-
IV.	**Effect of foreign currency translation differences on cash and cash equivalents (+/-)**		**(272.840)**	**(594.329)**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**5.643.110**	**6.674.813**
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)**		**14.827.562**	**12.762.184**

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 Group.

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.

Set out below are the new accounting policies of the Group upon adoption of TFRS 16:

Right of Use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right to use includes the presence of:

- The initial measurement of the lease;
- The amount obtained by deducting all lease payments received from all lease payments made on or on the date of actual lease, and
- All initial direct costs incurred by the Group.

At the end of the lease term of the underlying asset's service, the transfer of the Group is reasonably finalized, and the Group depreciates the asset until the end of the life of the underlying asset on which the lease actually began. Right-of-use assets are subject to impairment.

Lease Liabilities

The Group measures the lease obligation at the present value of the unpaid lease payments on the date that the lease commences. Lease payments included in the measurement of the lease obligation on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:

- Fixed payments,
- Variable lease payments based on an index or rate, the first measurement made using an index or rate on the actual date of the lease.
- Amounts expected to be paid by the Group under the residual value commitments
- The use price of this option and, if the Group is reasonably confident that it will use the purchase option;
- Fines for termination of the lease if the lease term indicates that the Group will use an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggered the payment occurred. The Group revises the revised discount rate for the remainder of the lease term, if the implicit interest rate in the lease can be easily determined; the Group's alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Group measures the lease obligation as follows:
- Increase the carrying amount to reflect the interest on the lease obligation; and
- Decreases the carrying amount to reflect the lease payments made.

In addition, in the event of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

Short-Term Leases and Leases of Low-Value Assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group has started to apply TFRS 16, assets classified under tangible assets as of September 30, 2019 amounted to TL 366.088, lease liability amounted to TL 329.764, financing expense amounted to TL 48.658 and depreciation expense amounted to TL 163.337.

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 3 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 September 30, 2019 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the 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:

	September 30, 2019	December 31, 2018
US Dollar	TL 5,6591	TL 5,2609
Euro	TL 6,1836	TL 6,0280

2.2. Total foreign exchange differences included in the net profit or loss for the period

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 September 30, 2019, derivative financial transaction loss amounting to TL 616.044 (September 30, 2018 - TL 1.183.756 TL derivative financial transaction gain) and excluding net interest expense amounting to TL 1.077.170 (September 30, 2018, - TL 1.454.493) arising from derivative transactions from the total foreign exchange loss amounting to TL 131.181 (September 30, 2018 - TL 2.121.127 net exchange loss), net foreign exchange operations gain is TL 329.945 (September 30, 2018 - TL 517.122 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:

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

		Consolidation Method	Place of Establishment	Subject of Operations	Effective Share of the Group (%) September 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 September 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 and loans with floating rate financial receivables 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, commercial installment loans 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 exchange 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 September 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 assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it is changed the business model for managing financial assets.

e) Restructing and refinancing of financial instruments

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

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

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

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed 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 year should pass over the date of restructuring (or if it later) the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring / refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing.

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

- Recovery in debt service.

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

- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring / refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfilment 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 personnel loans, loans can be restructured in order to give liquidity power to the debtor and to ensure the collection of the receivables of the Parent Bank in case of temporary liquidity problems due to the failure of the payment obligation to the Parent Bank. The Parent Bank removing customers from the restructuring scope in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation).

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

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

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

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 10.798.568 (December 31, 2018– TL 6.488.226).

As of September 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. As of September 30, 2019, the Group has assets held for sale and discontinued operations amounting to TL 47.455 and explained in footnote 15. of Section Five.

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 regard 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 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 regard 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 September 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 (The Parent Bank's paid in capital has not been changed for the current period).

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 September 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. Explanations 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 – September 30, 2019)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Group**
Net Interest Income	1.811.490	2.155.029	1.445.287	5.411.806
Net Fees and Commissions Income	1.524.125	517.270	55.604	2.096.999
Other Operating Income and Net Trading Expense	102.893	17.931	(688.743)	(567.919)
Dividend Income	-	-	2.909	2.909
Operating Income	**3.438.508**	**2.690.230**	**815.057**	**6.943.795**
Expected Loss Provisions (-)	327.176	1.200.545	(127.945)	1.399.776
Other Loss Provisions (-)	-	-	50.197	50.197
Personnel Expense (-)	303.616	438.287	604.644	1.346.547
Other Operating Expenses (-)	1.319.001	691.093	(358.151)	1.651.943
Gain / Loss on joint venture accounted for at equity method	-	-	66.812	66.812
Profit Before Taxes	**1.488.715**	**360.305**	**713.124**	**2.562.144**
Tax Provision (-)	**-**	**-**	**(421.333)**	**(421.333)**
Net Profit/Loss	**-**	**-**	**-**	**2.140.811**
Total Assets	**37.311.334**	**71.422.384**	**57.615.706**	**179.516.255**
Segment Assets	37.311.334	71.422.384	57.615.706	166.349.424
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	198.846
Undistributed Assets	-	-	-	12.967.985
Total Liabilities	**65.053.414**	**29.217.537**	**51.952.016**	**179.516.255**
Segment Liabilities	65.053.414	29.217.537	51.952.016	146.222.967
Undistributed Liabilities	-	-	-	17.443.817
Equity	-	-	-	15.849.471
Other Segment Accounts	**365.147**	**188.369**	**(107.932)**	**445.584**
Capital Expenditures	43.906	22.650	(3.440)	63.116
Depreciation and Amortization	321.241	165.719	(104.492)	382.468

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

Prior Period (January 1 - September 30, 2018)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and Head Office**	**Total Operations of the Group**
Net Interest Income	1.615.177	2.102.302	1.836.084	5.553.563
Net Fees and Commissions Income	1.083.487	473.281	26.844	1.583.612
Other Operating Income and Net Trading Expense	35.052	162.200	(1.061.895)	(864.643)
Dividend Income	-	-	4.255	4.255
Operating Income	**2.733.716**	**2.737.783**	**805.288**	**6.276.787**
Expected Loss Provisions (-)	502.489	714.956	170.151	1.387.596
Other Loss Provisions (-)	-	-	(23.819)	(23.819)
Personnel Expense (-)	240.727	374.352	501.623	1.116.702
Other Operating Expenses (-)	1.108.180	622.094	(297.927)	1.432.347
Gain / Loss on joint venture accounted for at equity method	-	-	33.509	33.509
Profit Before Taxes	**882.320**	**1.026.381**	**488.769**	**2.397.470**
Tax Provision (-)	**-**	**-**	**(496.212)**	**(496.212)**
Net Profit/Loss	**-**	**-**	**-**	**1.901.258**
Other Segment Accounts	**244.028**	**128.203**	**(39.574)**	**332.657**
Capital Expenditures	103.782	54.523	(17.165)	141.140
Depreciation and Amortization	140.246	73.680	(22.409)	191.517

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. Explanations on 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	2.140.350	1.900.702
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
Earnings per Share	**0,06389**	**0,05674**

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

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

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 the classification and measurement of financial assets, and the statement of financial position balances as at the transition of TFRS 9

Financial Assets	Book Value Before TFRS9 December 31, 2017	Reclassifications	Remeasurements	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)
Factoring 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. Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9

	Book Value Before TFRS 9 December 31, 2017	Remeasurements	Book Value After TFRS 9 January 1, 2018
Loans and Other Receivables	**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 September 30, 2019, Group’s total capital has been calculated as TL 23.105.453 (December 31, 2018 - TL 18.994.391), capital adequacy ratio is 15,45% (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 September 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	177.857	
Profit	2.140.350	
Current Period Profit	2.140.350	
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	7.252	
Common Equity Tier 1 Capital Before Deductions	**17.029.951**	
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	646.456	
Improvement costs for operating leasing	69.346	
Goodwill (net of related tax liability)	411.095	
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	**1.126.897**	
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	**16.329.828**	

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

	Current Period September 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	2.971.028	
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	**2.971.028**	
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	**2.971.028**	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**19.300.856**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	2.178.754	
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)	1.662.986	
Tier II Capital Before Deductions	**3.841.740**	
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	**3.841.740**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**23.142.596**	
Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	7.948	
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 (-)	29.195	
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 September 30, 2019	Amounts subject to treatment before 1/1/2014
TOTAL CAPITAL		
Total Capital	23.105.453	
Total risk weighted amounts	149.580.459	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	10,92	
Tier 1 Capital Adequacy Ratio (%)	12,90	
Capital Adequacy Ratio (%)	15,45	
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 (%)	4,92	
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	153.686	
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)	2.920.690	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.662.986	
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	2.971.028	
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	2.178.754	
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)	2.971	707	1.471
Par value of instrument (Currency in million)	2.971	707	1.471
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	16.329.828	16.187.571	16.045.313	15.903.055
Transition process not implemented Common Equity	15.903.055	15.903.055	15.903.055	15.903.055
Tier 1 Capital	19.300.856	19.158.598	19.016.340	18.874.082
Transition process not implemented Tier 1 Capital	18.874.082	18.874.082	18.874.082	18.874.082
Total Capital	23.105.453	22.963.196	22.820.938	22.678.680
Transition process not implemented Equity	22.678.680	22.678.680	22.678.680	22.678.680
TOTAL RISK WEIGHTED AMOUNTS				
Total Risk Weighted Amounts	149.580.459	149.580.459	149.580.459	149.580.459
CAPITAL ADEQUACY RATIO				
Common Equity Adequacy Ratio (%)	10,92	10,82	10,73	10,63
Transition process not implemented Common Equity Ratio (%)	10,63	10,63	10,63	10,63
Tier 1 Capital Adequacy Ratio (%)	12,90	12,81	12,71	12,62
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	12,62	12,62	12,62	12,62
Capital Adequacy Ratio (%)	15,45	15,35	15,26	15,16
Transition process not implemented Capital Adequacy Ratio (%)	15,16	15,16	15,16	15,16
LEVERAGE				
Leverage Ratio Total Risk Amount	256.945.742	256.945.742	256.945.742	256.945.742
Leverage (%)	7,38	7,38	7,38	7,38
Transition process not implemented Leverage Ratio (%)	7,35	7,35	7,35	7,35

(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 September 30, 2019

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

1. GB1– Overview of risk weighted assets

		Risk Weighted Assets		Minimum Capital Requirements	
		30.09.2019	**31.12.2018**	**30.09.2019**	**31.12.2018**
1	Credit risk (excluding counterparty credit risk)	129.030.597	112.159.311	10.322.448	8.972.745
2	Standardised approach	129.030.597	112.159.311	10.322.448	8.972.745
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	4.008.268	3.698.238	320.661	295.859
5	Standardised approach for counterparty credit risk	4.008.268	3.698.238	320.661	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	3.452.463	1.654.488	276.197	132.359
17	Standardised approach	3.452.463	1.654.488	276.197	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)**	**149.580.459**	**127.985.545**	**11.966.436**	**10.238.844**

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

III. Explanations on Consolidated Foreign Exchange Rate 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. 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 5,6591
Euro purchase rate in the balance sheet date	TL 6,1836

Date	US Dollar	Euro
September 30, 2019	5,6591	6,1836
September 27, 2019	5,6659	6,1982
September 26, 2019	5,6882	6,2544
September 25, 2019	5,6743	6,2381
September 24, 2019	5,7183	5,7286

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 September 2019 are TL 5,7128 and TL 6,2936 respectively.

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

5. Information on the consolidated foreign exchange rate 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)	5.327.452	9.316.345	1.958.355	16.602.152
Due From Banks	550.146	1.182.324	52.755	1.785.225
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)(2)	544.605	514.095	161	1.058.861
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI)	1.957.705	4.272.521	-	6.230.226
Loans(3)	21.866.184	16.033.278	201.968	38.101.430
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	1.720.018	5.184.438	-	6.904.456
Derivative Financial Assets Hedging Purposes	56.953	159.090	-	216.043
Tangible Assets	385	-	66	451
Intangible Assets	-	-	-	-
Other Assets (4)	1.874.347	2.028.525	7.599	3.910.471
Total Assets	**33.897.795**	**38.690.616**	**2.220.904**	**74.809.315**
Liabilities				
Bank Deposits	1.247.100	2.991.470	301.329	4.539.899
Foreign Currency Deposits(5)	9.775.604	35.552.090	4.000.198	49.327.892
Money Market Borrowings	881.387	6.167.173	-	7.048.560
Funds Provided from Other Financial Institutions	8.545.421	14.947.726	371.113	23.864.260
Securities Issued	-	8.003.975	174.066	8.178.041
Sundry Creditors	3.057.466	374.414	7.312	3.439.192
Derivative Fin. Liabilities Hedging Purposes	72.588	783.522	-	856.110
Other Liabilities (6)	755.791	832.509	7.377	1.595.677
Total Liabilities	**24.335.357**	**69.652.879**	**4.861.395**	**98.849.631**
Net Balance Sheet Position	**9.562.438**	**(30.962.263)**	**(2.640.491)**	**(24.040.316)**
Net Off-Balance Sheet Position	**(9.451.170)**	**29.543.132**	**2.641.500**	**22.733.462**
Financial Derivative Assets	16.393.159	81.562.835	2.710.564	100.666.558
Financial Derivative Liabilities	25.844.329	52.019.703	69.064	77.933.096
Non-Cash Loans (7)	7.018.498	7.540.874	532.962	15.092.334
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 T.R Central; Other FC include TL 1.921.629 (December 31, 2018 – TL 2.020.547) precious metal deposit account.
(2) Foreign currency income accruals amounting to TL 161.508 (December 31, 2018 - TL 57.113) that are classified as FC and derivative financial instruments amounting to TL 128.302 are not included under financial assets at fair value through profit and loss in accordance with TFRS 9.
(3) Includes TL 1.206.766 (December 31, 2018 – TL 2.162.619) FC indexed loans. Does not include repealed financial leasing receivables amounting to TL 43.376 (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 43.710 (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 3.005.933 (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 1.605.
(6) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 84.328 (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 nine months. Therefore, the Parent Bank holds limited amount of interest rate risk.

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

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing [1]	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank [2]	5.427.374	-	-	-	-	13.103.114	18.530.488
Due from Banks [3]	1.785.082	-	-	-	-	1.537.526	3.322.608
Financial Assets at Fair Value Through Profit/Loss [4]	8.362	1.734	154.305	75.341	61.114	6.795.035	7.095.891
Money Market Placements [5]	2.326.042	-	-	-	-	-	2.326.042
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) [6]	806.599	2.287.967	1.724.311	2.725.539	3.162.743	1.678.026	12.385.185
Loans and Receivables	26.076.401	16.480.736	34.891.141	26.277.052	2.962.674	2.057.754	108.745.758
Financial Assets Measured at Amortized Cost [7]	1.617.555	2.254.720	5.129.537	2.562.717	3.693.184	302.901	15.560.614
Other Assets	-	-	-	-	-	11.549.669	11.549.669
Total Assets	**38.047.415**	**21.025.157**	**41.899.294**	**31.640.649**	**9.879.715**	**37.024.025**	**179.516.255**
Liabilities							
Bank Deposits	2.005.914	2.003.792	205.969	-	-	556.318	4.771.993
Other Deposits	52.876.435	15.803.010	3.802.554	219.571	117	21.569.294	94.270.981
Money Market Borrowings	5.057.043	845.245	2.688.933	44.776	-	49.730	8.685.727
Sundry Creditors	3.382.831	-	-	-	-	3.806.820	7.189.651
Securities Issued	2.044.888	2.874.598	400.106	7.973.570	-	-	13.293.162
Funds Borrowed	2.879.676	13.628.295	4.396.255	1.113.614	3.180.173	3.085	25.201.098
Other Liabilities [8]	397	787	15.548	303.796	7.677	25.775.438	26.103.643
Total Liabilities	**68.247.184**	**35.155.727**	**11.509.365**	**9.655.327**	**3.187.967**	**51.760.685**	**179.516.255**
On Balance Sheet Long Position	-	-	30.389.929	21.985.322	6.691.748	-	59.066.999
On Balance Sheet Short Position	(30.199.769)	(14.130.570)	-	-	-	(14.736.660)	(59.066.999)
Off-Balance Sheet Long Position	5.199.567	12.408.251	-	-	-	-	17.607.818
Off-Balance Sheet Short Position	-	-	(3.284.287)	(4.262.136)	(5.568.003)	-	(13.114.426)
Total Position	**(25.000.202)**	**(1.722.319)**	**27.105.642**	**17.723.186**	**1.123.745**	**(14.736.660)**	**4.493.392**

[1] Non-Interest Bearing column includes, 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 2.290 expected loss provisions.
[3] Banks include balance of expected loss provisions amounting to TL 15.225.
[4] Financial Assets at Fair Value Through Profit/Loss include amount of TL 6.737.678 derivative financial assets at fair value used for hedging purposes.
[5] Receivables from money markets include an expected loss provision balance of TL 48.
[6] Financial Assets Measured at Fair Value through Other Comprehensive Income include amount of TL 1.431.977 derivative financial assets at fair value through other comprehensive income.
[7] Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 12.041.
[8] Other Liabilities include Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income amounting to TL 1.117.449.

(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	-	-	-	5,00
Due from Banks	0,05	2,86	-	14,18
Financial Assets Measured at Fair Value through Profit/Loss	3,41	9,67	-	14,62
Money Market Placements	-	-	-	16,25
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,39	5,19	-	19,66
Loans and Receivables	4,72	7,09	2,51	22,23
Financial Assets Measured at Amortized Cost	2,48	5,44	-	14,86
Liabilities				
Bank Deposits	0,41	3,11	-	15,07
Other Deposits	0,40	2,61	0,33	15,00
Money Market Borrowings	0,14	2,28	-	15,45
Sundry Creditors	(0,40)	2,04	-	-
Securities Issued	-	6,08	-	17,14
Funds Borrowed	2,19	5,99	-	16,39

(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	**31.235**	**-**	**31.235**
Quoted Securities	31.235	-	31.235
2. Equity Investments Group B	**-**	**-**	**-**
Quoted Securities	-	-	-
3. Equity Investments Group C	**-**	**-**	**-**
Quoted Securities	-	-	-
4. Equity Investments Group Other	**198.846**	**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	375	-	-	1.053	-	1.053
3. Other Shares	-	-	-	-	-	-
4. Total	**375**	**-**	**-**	**1.053**	**-**	**1.053**

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 – September 30, 2019	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS			**33.186.234**	**19.643.160**
1. High Quality Liquid Assets	33.186.234	19.643.160	33.186.234	19.643.160
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	72.797.236	37.595.898	6.623.119	3.759.590
3. Stable deposits	13.132.088	-	656.604	-
4. Less stable deposits	59.665.148	37.595.898	5.966.515	3.759.590
5. Unsecured Funding other than Retail and Small Business Customers Deposits	27.453.247	13.627.708	17.347.385	8.387.090
6. Operational deposits	741.853	98.902	185.463	24.726
7. Non-Operational Deposits	20.403.366	11.824.224	11.986.153	6.759.533
8. Other Unsecured Funding	6.308.028	1.704.582	5.175.769	1.602.831
9. Secured funding	-	-	213.153	213.153
10. Other Cash Outflows	23.757.189	17.431.740	23.757.189	17.431.740
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	23.757.189	17.431.740	23.757.189	17.431.740
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	32.580.663	886.492	1.629.033	44.325
15. Other irrevocable or conditionally revocable commitments	69.222.183	16.354.797	5.090.792	1.433.216
16. TOTAL CASH OUTFLOWS			**54.660.671**	**31.269.114**
CASH INFLOWS				
17. Secured Lending Transactions	1.055.325	-	-	-
18. Unsecured Lending Transactions	9.265.795	2.354.206	6.177.718	1.988.499
19. Other contractual cash inflows	22.009.778	19.402.163	22.009.778	19.402.164
20. TOTAL CASH INFLOWS	**32.330.898**	**21.756.369**	**28.187.496**	**21.390.663**
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			**33.186.234**	**19.643.160**
22. TOTAL NET CASH OUTFLOWS			**26.473.175**	**9.959.247**
23. LIQUDITY COVERAGE RATIO (%)			**125,36%**	**197,24%**

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

(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%**

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

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

Consolidated 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 months are explained in the table below:

	Maximum	Week	Minimum	Week	Average
TL+FC	137,46	28/09/2019	115,71	04/08/2019	125,47
FC	289,39	16/07/2019	156,35	25/09/2019	202,30

	Current Period	
	TP+YP	YP
31/07/2019	123.79	246.29
31/08/2019	124.55	182.77
30/09/2019	128.17	177.02

	Prior Period	
	TP+YP	YP
31/10/2018	128.92	219.48
30/11/2018	104.41	138.69
31/12/2018	111.13	140.20

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 55% of total liabilities of the Group (December 31, 2018 – 53%) and 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]	9.322.466	9.210.312	-	-	-	-	(2.290)	18.530.488
Due from Banks [3]	1.541.625	1.796.208	-	-	-	-	(15.225)	3.322.608
Financial Assets at Fair Value Through Profit/Loss [4]	31.282	348.488	435.927	2.184.068	3.168.012	896.879	31.235	7.095.891
Money Market Placements [5]	-	2.326.090	-	-	-	-	(48)	2.326.042
Financial Assets Measured at Fair Value through Other Comprehensive Income [6]	166.941	127.831	427.702	1.712.984	6.462.361	3.487.366	-	12.385.185
Loans and Receivables [7]	-	21.646.987	8.737.497	30.533.855	33.641.181	12.128.484	2.057.754	108.745.758
Financial Assets Measured at Amortized Cost[8]	-	57.857	133.396	2.056.004	8.080.091	5.245.307	(12.041)	15.560.614
Other Assets	-	5.753.645	5.703	21.956	1.237.855	1.855	4.528.655	11.549.669
Total Assets	**11.062.314**	**41.267.418**	**9.740.225**	**36.508.867**	**52.589.500**	**21.759.891**	**6.588.040**	**179.516.255**
Liabilities								
Bank Deposits	556.318	2.005.914	2.003.792	205.969	-	-	-	4.771.993
Other Deposits	21.569.295	52.876.434	15.803.010	3.802.554	219.571	117	-	94.270.981
Funds Borrowed	16.511	1.684.081	5.744.129	4.640.772	8.715.092	4.400.513	-	25.201.098
Money Market Borrowings	-	4.149.158	656.883	1.929.172	1.060.152	890.362	-	8.685.727
Securities Issued	-	2.044.887	2.437.949	836.756	7.973.570	-	-	13.293.162
Sundry Creditors	-	4.138.437	198.146	2.158.799	694.269	-	-	7.189.651
Other Liabilities [9]	53.802	3.340.662	296.903	1.150.434	2.978.057	1.540.465	16.743.320	26.103.643
Total Liabilities	**22.195.926**	**70.239.573**	**27.140.812**	**14.724.456**	**21.640.711**	**6.831.457**	**16.743.320**	**179.516.255**
Liquidity Excess / Gap	**(11.133.612)**	**(28.972.155)**	**(17.400.587)**	**21.784.411**	**30.948.789**	**14.928.434**	**(10.155.280)**	**-**
Net Off- Balance Sheet Position [10]	**-**	**302.855**	**1.462.756**	**1.179.492**	**(422)**	**53.257**	**-**	**2.997.938**
Receivables from financial derivative instruments	-	8.848.967	15.760.421	48.438.099	18.218.234	22.053.857	-	113.319.578
Liabilities from derivative financial instruments	-	8.546.112	14.297.665	47.258.607	18.218.656	22.000.600	-	110.321.640
Non Cash Loans [10]	**-**	**1.770.167**	**3.350.513**	**10.069.325**	**2.785.607**	**514.556**	**6.758.248**	**25.248.416**
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 [11]	**-**	**(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[12]	**-**	**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 15.849.471 and also include amount of TL 796.261 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 2.290.
(3) Banks include balance of expected loss provisions amounting to TL 15.225.
(4) Financial Assets at Fair Value through Profit / Loss include derivative financial assets amounting to TL 6.737.678 at fair value through profit or loss.
(5) Receivables from Money Markets includes the expected loss provisions amounting to TL 48.
(6) Financial Assets at Fair Value through Other Comprehensive Income TL 1.431.977 includes derivative financial assets at fair value through profit or loss.
(7) Loans and receivables include leasing and factoring receivables.
(8) Financial assets measured at amortized cost include TL 12.041 of expected loss provisions.
(9) Other Liabilities include Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income amounting to TL 1.117.449.
(10) Liquidity excess / (deficit) related to Derivative Financial Instruments constituting Net Off-Balance positions are included in Liquidity Excess / (deficit) through valuations of related transactions to balance sheet.
(11) Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

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

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 7,38% (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 (*)	177.735.172	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	365.929	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	1.365.519	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	60.927	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	78.165.896	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	(747.701)	(476.703)
7	**Total Risk Amount**	**256.945.742**	**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)	169.301.393	150.821.711
(Assets deducted from capital stock)	747.701	476.703
Total risk amount related to Assets on Balance sheet	**168.553.692**	**150.345.008**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	8.799.708	13.947.717
Potential credit risk amount of derivative financial instruments and credit derivatives	1.365.519	1.411.506
Total risk amount related to derivative financial instruments and credit derivatives	**10.165.227**	**15.359.223**
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	54.202	1.509
Risk amount sourcing from transactions mediated	6.725	-
Total risk amount related to financial transactions having security or commodity collateral	**60.927**	**1.509**
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	107.125.877	93.141.238
(Adjustment amount sourcing from multiplying to credit conversion rates)	28.959.981	26.386.842
Total risk amount related to off-balance sheet transactions	**78.165.896**	**66.754.396**
Capital and Total Risk		
Core Capital	18.973.515	14.432.959
Amount of total risk	256.945.742	232.460.136
Financial leverage ratio		
Financial leverage ratio	7,38%	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) Information on cash equivalents and the account of the CBRT:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Cash in TL/Foreign Currency	751.929	705.578	787.020	849.141
CBRT	1.075.010	15.888.060	1.035.698	15.770.333
Others	103.687	8.514	-	69.251
Total	**1.930.626**	**16.602.152**	**1.822.718**	**16.688.725**

b) Information related to the account of the CBRT:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Unrestricted Demand Deposits	1.075.010	6.677.748	1.035.698	4.950.681
Restricted Time Deposits	-	9.210.312	-	10.819.652
Total	**1.075.010**	**15.888.060**	**1.035.698**	**15.770.333**

As of September 30, 2019, amount of TL 2.290 (December 31, 2018 – TL 37.141) provision provided for the account T.R. Central Bank.

On August 20, 2019 Central Bank of the Republic of Turkey changed the required reserves and TL reserve requirement ratio, excluding loans granted to banks with loans indexed to foreign banks, TL denominated cash on standard loans and close monitoring loans have been associated with annual growth rates of the total. Accordingly, TL required reserve ratios have been reduced for the banks whose loan growth is between 10 and 20 percent, while the reserve requirement ratios for other banks have not been changed.

Effective from October 4, 2019, Central Bank of the Republic of Turkey determined for banks whose loan growth is between 10% and 20%, the reserve requirement ratios for Turkish lira liabilities the annual growth rates of the total of banks' Turkish lira-denominated standardized cash loans and cash loans under close monitoring, excluding foreign currency-indexed loans and loans extended to banks are 10%, for the others 0%.

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

a) Information on financial assets at fair value through profit/ loss given as collateral/blocked:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Given as Collateral/blocked	2.677	4.725	3.676	695
Subject to repurchase agreement	-	-	-	-
Total	**2.677**	**4.725**	**3.676**	**695**

b) Positive differences related to derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forward Transactions	122.910	85	138.487	-
Swap Transactions	2.603.240	1.084.593	4.674.014	428.270
Futures	-	2.510	-	2.576
Options	1.147	115.405	120	188.916
Other	-	-	-	-
Total	**2.727.297**	**1.202.593**	**4.812.621**	**619.762**

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

3. a) Information on banks accounts:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks	1.552.602	1.785.231	205.463	1.036.589
Domestic	1.552.599	250.527	205.457	1.210
Foreign	3	1.534.704	6	1.035.379
Foreign Head Offices and Branches	-	-	-	-
Total	**1.552.602**	**1.785.231**	**205.463**	**1.036.589**

Amount of TL 15.225 provision is provided for banks account as of September 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	438.267	228.892	22.213	39.428
USA and Canada	974.396	568.966	76.736	160.682
OECD Countries (*)	1.523	1.535	-	-
Off-shore Banking Regions	-	-	-	-
Other	21.572	35.882	-	-
Total	**1.435.758**	**835.275**	**98.949**	**200.110**

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

(**) Includes blocked placements amounting to TL 98.949 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	**2.087.743**	**-**	**100.070**	**-**
T.R. Central Bank	-	-	-	-
Banks(*)	1.960.872	-	100.070	-
Brokerage Houses	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	126.871	-	-	-
Real persons	-	-	-	-
From foreign transactions	**-**	**-**	**-**	**-**
T.R. Central Bank	-	-	-	-
Banks	-	-	-	-
Brokerage Houses	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
Total	**2.087.743**	**-**	**100.070**	**-**

(*) As of 30 September 2019, provision is provided for receivables from money markets amounting to TL 48. (31 December 2018 – TL 5).

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

5. Information on financial assets at fair value through other comprehensive income

a) Information on financial assets at fair value through other comprehensive income which are subject to repurchase agreements and given as collateral / blocked:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Given as Collateral / Blocked	282.495	823.412	66.853	654.173
Subject to repurchase agreements	1.022.503	4.075.762	92.213	2.722.377
Total	**1.304.998**	**4.899.174**	**159.066**	**3.376.550**

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

	Current Period	Prior Period
Debt securities	**11.079.580**	**8.742.018**
Quoted on a stock exchange (*)	11.079.580	8.742.018
Unquoted on a stock exchange	-	-
Share certificates	**168.130**	**119.995**
Quoted on a stock exchange	1.082	1.718
Unquoted on a stock exchange(**)	167.048	118.277
Impairment provision (-)(***)	**(294.502)**	**(416.240)**
Total	**10.953.208**	**8.445.773**

(*) The Eurobond Portfolio amounting to TL 2.437.535 (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 the Bank because of exchange of stock as a result of transferring of Visa Europe Ltd to Visa Inc.
(***) As of September 30, 2019 amount of TL 1.794 (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 or 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	**215**	**35.685**	**1.755**	**-**
Corporate Shareholders	215	35.685	1.755	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	**112.023**	**-**	**85.830**	**-**
Total	**112.238**	**35.685**	**87.585**	**-**

(*) Includes advances given to the bank personnel.

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

b) Performing loans and loans under follow-up including restructured or rescheduled loans, and provisions allocated for such loans:

b.1) Information on financial assets at amortized cost:

Cash Loans	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Non Specialized Loans	**90.756.415**	**5.702.781**	**411.238**	**7.516.867**
Enterprise Loans	1.022.937	6.127	-	-
Export Loans	2.810.898	104.957	-	-
Import Loans	12.967	-	-	-
Financial Sector Loans	1.791.577	-	-	-
Consumer Loans	18.543.983	1.428.854	138.070	1.123.725
Credit Cards	14.362.159	671.378	-	890.750
Other	52.211.894	3.491.465	273.168	5.502.392
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**90.756.415**	**5.702.781**	**411.238**	**7.516.867**

	Standard Loans	Loans Under Close Monitoring
Current Period		
12 Month Expected Credit Losses	929.890	-
Significant Increase in Credit Risk	-	1.849.378
Prior Period		
12 Month Expected Credit Losses	1.078.524	-
Significant Increase in Credit Risk	-	1.692.132

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

As of September 30, 2019, The Parent Bank has classified the loan amounted to TL 128.302 (December 31, 2018 – 110.032) under financial assets at fair value through profit or loss in accordance with TFRS 9.

c) Loans with amortized cost and other receivables according to their maturity structure:

Cash Loans	Standard Loans	Loans Under Close Monitoring	
		Loans without Revised Contract Terms	Restructured Loans
Short-term Loans	36.738.866	671.730	890.750
Medium and Long-term Loans	54.017.549	5.031.051	7.037.355
Total	**90.756.415**	**5.702.781**	**7.928.105**

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

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	**1.106.400**	**18.086.322**	**19.192.722**
Housing Loans	288.906	4.196.100	4.485.006
Automobile Loans	187	11.981	12.168
Personal Need Loans	806.244	13.852.898	14.659.142
Other	11.063	25.343	36.406
Consumer Loans-FC Indexed	**2.778**	**858**	**3.636**
Housing Loans	2.536	793	3.329
Automobile Loans	-	-	-
Personal Need Loans	242	65	307
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	**12.072.399**	**570.423**	**12.642.822**
Installment	4.508.566	570.423	5.078.989
Non- Installment	7.563.833	-	7.563.833
Individual Credit Cards-FC	**16.052**	-	**16.052**
Installment	-	-	-
Non- Installment	16.052	-	16.052
Personnel Loans-TL	**7.045**	**51.236**	**58.281**
Housing Loans	47	363	410
Automobile Loans	-	-	-
Personal Need Loans	6.998	50.873	57.871
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	**44.662**	-	**44.662**
Installment	16.386	-	16.386
Non-Installment	28.276	-	28.276
Personnel Credit Cards-FC	**157**	-	**157**
Installment	-	-	-
Non-Installment	157	-	157
Overdraft Accounts-TL (Real Persons)	**1.979.993**	-	**1.979.993**
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	**15.229.486**	**18.708.839**	**33.938.325**

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

e) Information on commercial installment loans and corporate credit cards:

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility – TL	**1.187.158**	**15.014.812**	**16.201.970**
Real Estate Loans	21.712	393.159	414.871
Automobile Loans	3.349	98.396	101.745
Personal Need Loans	1.162.097	14.523.257	15.685.354
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	**300.574**	**415.211**	**715.785**
Real Estate Loans	4.153	4.707	8.860
Automobile Loans	13.314	29.616	42.930
Personal Need Loans	283.107	380.888	663.995
Other	-	-	-
Commercial Loans with Installment Facility - FC	**-**	**-**	**-**
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards –TL	**3.166.784**	**51.311**	**3.218.095**
Installment	838.657	51.311	889.968
Non-Installment	2.328.127	-	2.328.127
Corporate Credit Cards –FC	**2.499**	**-**	**2.499**
Installment	-	-	-
Non-Installment	2.499	-	2.499
Overdraft Accounts-TL (Legal Entities)	**1.231.452**	**-**	**1.231.452**
Overdraft Accounts-FC (Legal Entities)	**-**	**-**	**-**
Total	**5.888.467**	**15.481.334**	**21.369.801**

f) Allocation of loans by customers:

	Current Period	Prior Period
Public	-	101.668
Private	104.387.301	95.307.385
Total	**104.387.301**	**95.409.053**

g) Allocation of domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	103.710.067	94.878.795
Foreign Loans	677.234	530.258
Total	**104.387.301**	**95.409.053**

h) Loans to associates and subsidiaries:

	Current Period	Prior Period
Direct Loans Granted To Investments In Associates And Subsidiaries	1.167.069	549.999
Indirect Loans Granted To Investments In Associates And Subsidiaries	-	-
Total	**1.167.069**	**549.999**

(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	781.420	760.596
Loans and Receivables with Doubtful Collectability	1.045.129	625.240
Uncollectible Loans and Receivables	3.673.680	3.551.336
Total	**5.500.229**	**4.937.172**

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

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

	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	1.050	622	67.408
Restructured Loans	1.050	622	67.408
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 total 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 (+)	2.499.036	201.248	156.914
Transfers from Other Categories of Non-Performing Loans (+)	752	2.520.702	1.750.061
Transfers to Other Categories of Non-Performing Loans (-)	2.556.643	1.714.420	452
Collections (-)	223.467	280.543	487.235
Write-offs	-	-	3.716
Sold (-)	**-**	**-**	**918.518**
Corporate and Commercial Loans	-	-	338.286
Consumer Loans	-	-	237.624
Credit Cards	-	-	342.608
Others	-	-	-
Current Period End Balance	**1.173.614**	**1.745.287**	**4.639.080**
Specific Provision (-)	781.420	1.045.129	3.673.680
Net Balances on Balance Sheet	**392.194**	**700.158**	**965.400**

(*) The Parent Bank sold TL 959,700 of its non-performing loans portfolio at a consideration of TL 88,200 during Q3'2019. Following this sale TL 918,518 were finally written-off from balance sheet after settlement with buyer as TL 27,383 of the sold NPL's were already written-off during prior periods and remaining TL 13,799 represented collections from NPL clients during the period between sale and settlement.

j.3) Information on non-performing loans granted as foreign currency loans:

None (December 31, 2018 – None).

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

j.4) Breakdown of non-performing loans according to their gross and net values:

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period (Net)	**392.194**	**700.158**	**965.400**
Loans to Real Persons and Legal Entities (Gross)	1.173.614	1.745.287	4.536.737
Provision (-)	781.420	1.045.129	3.571.337
Loans to Real Persons and Legal Entities (Net)	392.194	700.158	965.400
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	102.343
Provision (-)	-	-	102.343
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 Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period (Net)			
Interest accruals and valuation differences	125.972	169.114	251.757
Provision amount (-)	97.520	111.543	189.604
Prior Period (Net)			
Interest accruals and valuation differences	154.002	126.042	35.215
Provision amount (-)	94.342	77.214	21.573

k) Explanation on liquidation policy 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) Explanation 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. Explanations on factoring receivables:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short Term	865.442	119.677	836.590	104.385
Medium and Long Term	18.175	-	32.029	-
Total	**883.617**	**119.677**	**868.619**	**104.385**

As of September 30, 2019, and September 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	17.759	15.281
Collections	(17.230)	(2.581)
Write-offs	-	-
Provision at the End of Period	**75.519**	**54.494**

8. Information on financial assets at amortized cost

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Given as Collateral / Blocked	748.247	248.551	628.100	363.462
Subject to repurchase agreements	407.341	5.292.962	-	3.673.636
Total	**1.155.588**	**5.541.513**	**628.100**	**4.037.098**

b) Information on government securities measured at amortized cost

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Government Bond	8.668.199	6.023.654	7.916.505	3.995.358
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	283.699	-	288.169
Total	**8.668.199**	**6.307.353**	**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	**8.668.199**	**6.904.456**	**7.916.505**	**5.015.688**
Publicly traded	8.668.199	6.904.456	7.916.505	5.015.688
Non-publicly traded	-	-	-	-
Provision for losses (-)	**-**	**-**	**-**	**-**
Total	**8.668.199**	**6.904.456**	**7.916.505**	**5.015.688**

d) Movement of investment measured at amortized cost within the period

	Current Period	Prior Period
Balance at the beginning of the period	**12.932.193**	**8.946.170**
Exchange differences on monetary assets	398.215	1.333.014
Acquisitions during the year	3.053.657	2.201.072
Disposals through sales and redemptions	(1.303.075)	(837.723)
Impairment provision (-)	-	-
Valuation Effect	491.665	1.289.660
The Sum Of End Of The Period	**15.572.655**	**12.932.193**

As of September 30, 2019, a provision amounting to TL 12.041 (December 31, 2018 – TL 37.077) is provided for the financial assets measured at amortized cost.

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

9. Information on 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
KASSA Mobil Bilgi Teknolojileri A.Ş.	Istanbul/Turkey	-	10,00

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
126.652	82.384	59.192	2.555	-	17.418	8.630	-
1.378	1.292	-	-	-	46	-	-

(*) Current period information is based on June 30, 2019 financials. Prior period profit and loss amounts are based on June 30, 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	**1.140**	**2.216**
Acquisitions (*)	1.140	-
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	**7.122**	**5.982**
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

(*) KASSA Mobil Bilgi Teknolojileri Anonim Şirketi was established on 30.03.2018. QNB Finans Portföy Yönetimi A.Ş., has participated in the company's capital by paying 55.556 shares with a nominal value of TL 56, capital amount TL 56 which corresponds to 10% shares of company's capital and TL 1.084 as a premium on capital stock in total amounting to TL 1.140. KASSA Mobil Bilgi Teknolojileri Anonim Şirketi has approved the capital increase at General Assembly on 06.08.2019, registered on 26.08.2019 and published in the Trade Registry Gazette dated 02.09.2019.

9.3. Sectoral information on investments and associates, and the related carrying amounts:

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	7.122	5.982
Total	**7.122**	**5.982**

9.4. Quoted Associates:

None (December 31, 2018 - None).

9.5. Valuation methods of investments in associates:

	Current Period	Prior Period
Valued at Cost	7.122	5.982
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	**7.122**	**5.982**

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

9.6. Investments in associates sold during the current period:

None (December 31, 2018 - None).

9.7. Information on 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.	62.549	17.411	24.181	-	-	1.355	(41)	-
2.	20.867	11.216	5.146	1.797	-	5.068	(446)	-

b) Information on the Parent Bank's 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.	697.557	230.519	6.643	107.411	1.258	55.726	28.536	214.908
2.	5.673.497	883.482	7.781	399.220	-	76.877	92.510	514.395
3.	60.711	21.470	2.998	11.596	-	(7.549)	(4.248)	-
4.	14.663	10.633	246	397	-	865	(1.456)	-
5.	1.268.458	163.696	10.961	199.077	-	36.604	28.164	154.062
6.	64.500	212	-	-	-	12	-	-

(*) 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 schedule for consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	**1.103.202**	**724.921**
Movements during the Period	**(161.396)**	**378.281**
Purchases [(*)]	-	15.000
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification		-
Revaluation Difference	(161.396)	363.281
Impairment Provision	-	-
Balance at the End of the Period	**941.806**	**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 information on consolidated financial subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Factoring Companies	154.062	105.614
Leasing Companies	514.395	777.308
Finance Companies	58.395	58.395
Other Subsidiaries	214.954	161.885
Total	**941.806**	**1.103.202**

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

b.4) Subsidiaries quoted to a stock exchange:

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	514.395	777.308
Quoted on International Stock Exchanges	-	-
Total	**514.395**	**777.308**

b.5) Information on shareholders' equity of the significant subsidiaries:

None.

10. Information on joint ventures:

	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.	1.499.016	191.285	23.449	-	-	105.467	65.697	148.673
2.	117.741	78.492	42.384	-	-	25.248	5.421	-

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

11. Information on lease receivables (Net):

11.1 Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	2.271.814	997.808	1.745.864	1.380.549
Between 1-4 years	3.517.716	2.983.760	3.558.033	3.017.466
Over 4 years	607.236	557.905	759.925	690.084
Total	**6.396.766**	**4.539.473**	**6.063.822**	**5.088.099**

Finance lease receivables include non-performing finance lease receivables amounting to TL 383.990 (December 31, 2018 – TL 345.070) and specific provisions amounting to TL 158.271 (December 31, 2018 – TL 110.677).

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

	Current Period	Prior Period
End of the prior period	110.677	98.706
Provided provision / (reversal), Net	48.828	55.472
Collections	(1.234)	(5.140)
Written-off	-	(38.361)
Provision at the end of the period	**158.271**	**110.677**

11.2 Net financial lease receivables

	Current Period	Prior Period
Gross Finance Lease Investments	5.513.622	6.075.644
Unearned Finance Income (-)	974.149	987.545
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	**4.539.473**	**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 the hedging derivative financial assets:

	Current Period (***)		Prior Period	
	TP	**YP**	**TP**	**YP**
Fair Value Hedge (*)	2.635.536	172.252	4.117.133	37.530
Cash Flow Hedge (**)	1.388.186	43.791	2.702.865	111.418
Net Investment Hedge	-	-	-	-
Total	**4.023.722**	**216.043**	**6.819.998**	**148.948**

(*) Derivative financial instruments held for fair value hedge consist of swaps. As of September 30, 2019, TL 187 of this amount is related to marketable securities (December 31, 2018 - TL 31.027), TL 3.333 of borrowings (December 31, 2018 - TL 2.049), TL 2.635.536 of loans (December 31, 2018 - TL 4.117.133), TL 115.112 of securities issued (December 31, 2018- None) and TL 53.620 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. Information on the investment properties:

None (December 31, 2018- None).

14. Information on deferred tax asset:

As of September 30, 2019, the Parent Bank has deferred tax asset amounting to TL 447.747.

In accordance with TAS 12, deferred tax assets and liabilities are recognized in the financial statements. Bank. As of September 30, 2019, the deferred tax asset amounting to TL 1.133.527 and deferred tax liability amounting to TL 685.780 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 347.956 are netted under equity. (December 31, 2018 – TL 77.543 deferred tax assets).

	Temporary Differences		Deferred Tax Assets/(Liabilities)	
	30.09.2019	**31.12.2018**	**30.09.2019**	**31.12.2018**
Provision for Employee Rights	457.694	452.523	100.693	99.264
Difference Between the Book Value of Financial Assets and Tax Base	1.246.344	2.676.781	274.196	574.438
Other	3.448.358	4.004.908	758.638	878.363
Deferred Tax Assets			**1.133.527**	**1.552.065**
Difference Between the Book Value Financial Fixed Assets and Tax Base	(241.824)	(258.548)	(53.201)	(56.846)
Difference Between the Book Value of Financial Assets and Tax Base	(1.930.903)	(3.287.163)	(424.799)	(716.346)
Other	(944.457)	(732.184)	(207.780)	(160.792)
Deferred Tax Liabilities			**(685.780)**	**(933.984)**
Deferred Tax Assets/(Liabilities), Net			**447.747**	**618.081**

	Current Period	Prior Period
	01.01-30.09.2019	**01.01-30.09.2018**
Deferred Tax as of January 1 Asset/ (Liability)- Net	618.081	472.654
Deferred Tax (Loss) / Gain	(440.747)	427.280
Deferred Tax that is Realized Under Shareholder's Equity	270.413	(86.056)
Deferred Tax Asset/ (Liability) – Net	**447.747**	**813.878**

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

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

	Current Period	Prior Period
Opening Balance Net Book Value	-	-
Additions (*)	47.455	-
Impairment (-)	47.455	-
Closing Net Book Value	-	-

(*) Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 1,19% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operation.

16. Information on other assets:

16.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Collateral Given for Derivative Transactions	3.744.087	2.175.101
Assets Held for Resale (net)	1.187.219	879.983
Cheques Receivables from Other Banks	827.147	714.694
Other Prepaid Expenses	774.631	692.718
Miscellaneous Receivables	337.679	319.200
Prepaid Agency Commissions	48.503	15.608
Prepaid rent expenses	13.121	44.817
Advances Given	117	7.522
Other	252.500	98.497
Total	**7.185.004**	**4.948.140**

As of 30 September 2019, TL 13.044 provision has been provided for other assets (December 31, 2018 – TL 2.008).

16.2 Information on the subaccounts of other assets account that exceeds 20% of the individual other assets account exceeding 10% of the total assets excluding the off-balance sheet items

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

17. Information on 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	6.751.019	1.418.636	11.632.619	768.710
Loans	3.186.595	557.629	2.533.148	364.154
Securities Measured at Amortized Cost	239.303	75.640	942.576	69.946
Financial Assets Measured at Fair Value through Other Comprehensive Income	303.826	(136.356)	101.449	(331.209)
Central Bank	54.674	-	60.220	-
Leasing Receivables	-	68.000	16.800	24.567
Banks	5.838	8	279	-
Financial Assets Measured at Fair Value through Profit/Loss	2.146	246	339	(58)
Other Accruals	2.316	2.349	13.337	8.260
Total	**10.545.717**	**1.986.152**	**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	**3.897.549**	-	**6.868.406**	**17.844.396**	**296.463**	**329.596**	**2.422.964**	**949**	**31.660.323**
Foreign Currency	**11.674.485**	-	**5.123.908**	**23.378.610**	**3.043.340**	**1.837.169**	**1.261.200**	**3.247**	**46.321.959**
Residents in Turkey	11.312.656	-	4.999.351	23.049.053	3.005.507	1.695.202	966.085	3.247	45.031.101
Residents Abroad	361.829	-	124.557	329.557	37.833	141.967	295.115	-	1.290.858
Public Sector Deposits	**530.611**	-	**201**	**9.738**	**580**	**19**	**36**	-	**541.185**
Commercial Deposits	**2.590.253**	-	**4.055.600**	**5.083.844**	**169.393**	**39.619**	**208.806**	-	**12.147.515**
Other Ins. Deposits	**66.743**	-	**56.628**	**419.795**	**40.178**	**732**	**9.990**	-	**594.066**
Precious Metal Deposits	**2.809.654**	-	-	**18.717**	**10.310**	**5.976**	**161.276**	-	**3.005.933**
Bank Deposits	**556.318**	-	**172.701**	**2.856.524**	**964.503**	**208.712**	**13.235**	-	**4.771.993**
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	11.826	-	106.643	-	-	4.871	-	-	123.340
Foreign Banks	44.422	-	66.058	2.856.524	964.503	203.841	13.235	-	4.148.583
Participation Banks	500.070	-	-	-	-	-	-	-	500.070
Other	-	-	-	-	-	-	-	-	-
Total	**22.125.613**	-	**16.277.444**	**49.611.624**	**4.524.767**	**2.421.823**	**4.077.507**	**4.196**	**99.042.974**

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 saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	17.734.635	14.252.095	12.955.401	17.151.063
Foreign Currency Savings Deposits	10.194.729	5.146.914	26.000.864	21.042.426
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**27.929.364**	**19.399.009**	**38.956.265**	**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. Saving deposits which are not under the guarantee of saving deposit insurance fund:

	Current Period	Prior Period
Deposits and accounts in branches abroad	25.484	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	29	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	**25.513**	**85.698**

2. Information on trading derivative financial liabilities:

a) Negative differences table for derivative financial liabilities held for trading:

	Current Period (*)		Prior Period	
	TL	FC	TL	FC
Forwards	123.529	68	132.707	65.035
Swaps	2.808.330	1.007.977	5.163.588	225.206
Futures	-	2.505	-	2.596
Options	122	27.459	477	141.101
Other	-	-	-	-
Total	**2.931.981**	**1.038.009**	**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 borrowings:

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	885.937	1.143.757	710.513	981.566
Foreign Banks, Institutions and Funds	450.901	17.435.078	391.508	18.468.646
Total	**1.336.838**	**18.578.835**	**1.102.021**	**19.450.212**

b) Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-Term	742.059	2.537.708	612.112	3.700.582
Medium and Long-Term	594.779	16.041.127	489.909	15.749.630
Total	**1.336.838**	**18.578.835**	**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 September 30, 2019, the Group's liabilities comprise; 55% deposits (December 31, 2018 – 53%), 14% funds borrowed (December 31, 2018 – 13%), 7% 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	**1.429.740**	**-**	**237.136**	**-**
Financial institutions and organizations	1.420.603	-	72.397	-
Other institutions and organizations	2.884	-	155.425	-
Real persons	6.253	-	9.314	-
From foreign transactions	**1.442**	**7.048.560**	**1.349**	**4.622.546**
Financial institutions and organizations	-	7.048.560	-	4.622.546
Other institutions and organizations	1.442	-	1.349	-
Real persons	-	-	-	-
Total	**1.431.182**	**7.048.560**	**238.485**	**4.622.546**

5. Information on marketable securities issued (Net):

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Bank Bonds	4.433.090	173.717	3.482.767	388.754
Asset-backed securities (*)	508.550	-	436.650	-
Bills	173.481	8.004.324	164.757	7.377.149
Total	**5.115.121**	**8.178.041**	**4.084.174**	**7.765.903**

(*) Includes TL 200.000 on February 14, 2018, TL 200.000 on May 28, 2018, TL 36.650 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. Information on the subaccounts of other liabilities account that exceeds 20% of the individual other liabilities account exceeding 10% of the total liabilities excluding the off-balance sheet items:

Other liabilities do 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. Explanations of 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 the hedging derivative financial liabilities:

	Current Period (***)		Prior Period	
	TL	**FC**	**TL**	**FC**
Fair Value Hedge (*)	357.635	403.451	155.054	228.252
Cash Flow Hedge (**)	664.790	452.659	159.675	176.498
Net Investment Hedge	-	-	-	-
Total	**1.022.425**	**856.110**	**314.729**	**404.750**

(*) Derivative financial instruments held for fair value hedge consist of swaps. As of September 30, 2019, TL 353.469 of loans (December 31, 2018- TL 181.259), TL 403.451 of securities (December 31, 2018- TL 181.279), TL 4.166 from 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. Information on provisions related with foreign currency difference of foreign 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. Information on provisions for non-cash loans that are non-funded and non-transformed into cash

	Current Period	Prior Period
Stage 1	84.464	74.422
Stage 2	14.317	16.431
Stage 3	44.020	50.116
Total	**142.801**	**140.969**

9.3 Information on reserve for employee rights:

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 September 30, 2019, TL 203.352 (December 31, 2018 - TL 181.087) reserve for employee termination benefits was provided in the accompanying financial statements.

As of September 30, 2019, the Group accrued TL 51.302 (December 31, 2018 - TL 48.169) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of September 30, 2019, TL 203.040 (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 01.01-30.09.2019	Prior Period 01.01-30.09.2018
As of January, 1	181.087	182.090
Service cost	17.450	18.860
Interest Cost	21.610	15.970
Settlement / curtailment / termination loss	10.441	10.495
Actuarial differences	2.744	(1.495)
Paid during the period	(29.980)	(31.564)
Total	**203.352**	**194.356**

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 Liability:

10.1 Explanations on Tax Liability:

10.1.1 Information on Tax Provision:

As of September 30, 2019, the Group has current tax expense of TL 19.414 (December 31, 2018 - TL 802.797) and as of September 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 September 30, 2019, after the offsetting, the current tax liability amounting to TL 81.562 (December 31, 2018 – TL 159.866) is disclosed with current tax asset TL 41.530 (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	81.562	159.866
Taxation on Securities Income	108.167	70.842
Banking and Insurance Transaction Tax (BITT)	101.911	103.829
Taxation on Real Estates Income	3.667	2.349
VAT Payable	11	6.008
Other	26.182	29.414
Total	**321.500**	**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 premium payables:

	Current Period	Prior Period
Social Security Premiums - Employee Share	12.775	10.156
Social Security Premiums - Employer Share	14.229	11.078
Pension Fund Fee and Provisions – Employee Share	16	14
Pension Fund Fee and Provisions – Employer Share	54	44
Unemployment Insurance - Employee Share	903	714
Unemployment Insurance - Employer Share	1.803	1.428
Other	43	35
Total	**29.823**	**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	**-**	**3.042.349**	**-**	**-**
Subordinated Loans	-	3.042.349	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments subject to tier 2 common equity	**-**	**2.243.076**	**-**	**4.816.098**
Subordinated Loans	-	2.243.076	-	4.816.098
Subordinated Debt Instruments	-	-	-	-
Total	**-**	**5.285.425**	**-**	**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 Presentation of paid-in capital

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

13.2 Amount of paid-in-capital, explanations as to whether the registered share capital system is applied, if so the amount of registered share capital ceiling

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

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

13.3 Capital increases and sources in the current period and other information based on increased capital shares.

None (December 31, 2018 – None).

13.4 Information on share capital increases from revaluation fund during the current period

None (December 31, 2018 - None).

13.5 Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period

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

13.6 Information on prior period's indicators on the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators

None (December 31, 2018 - None).

13.7 Information on the privileges given to stocks representing the capital

None (December 31, 2018 - None).

14. Information on 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. Information on 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	**202.091**	**(614.200)**	**80.775**	**(534.108)**
Valuation Differences	202.091	(614.200)	80.775	(534.108)
Foreign Exchange Rate Differences	-	-	-	-
Total	**202.091**	**(614.200)**	**80.775**	**(534.108)**

16. Information on 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	3.954.406	1.894.119	5.611.501	838.688
Deposits	583.445	76.516	643.659	86.485
Funds Borrowed	27.521	288.074	34.733	182.567
Money Market Borrowings	95.871	49.115	173	23.636
Issued Securities	615	195.559	4.675	52.478
Other Accruals	258.459	158.391	147.980	149.556
Total	**4.920.317**	**2.661.774**	**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. Explanations on off-balance sheet commitments

1.1. Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	26.722.758	22.362.300
Commitment For Use Guaranteed Credit Allocation	13.344.734	10.852.185
Forward Asset Purchase Commitments	5.365.648	2.146.211
Payment Commitments for Cheques	2.470.491	2.181.264
Other Irrevocable Commitments	1.828.157	1.188.454
Commitments for Promotions Related with Credit Cards and Banking Activities	42.478	29.958
Tax and Fund Liabilities due to Export Commitments	29.502	28.728
Total	**49.803.768**	**38.789.100**

1.2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Specific provision is provided for the non-cash loans amounting to TL 142.801 (December 31, 2018 - TL 140.969) followed in the off-balance sheet accounts that are not indemnified and liquidated yet.

1.3. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank Loans	4.892.275	4.476.254
Other Letters of Guarantee	1.836.068	1.727.806
Total	**6.728.343**	**6.204.060**

1.4. Guarantees, suretyships and other similar transactions

Advance	Current Period	Prior Period
Final Letters of Guarantee	8.898.682	7.374.286
Advance Letters of Guarantee	1.972.559	1.422.077
Provisional Letters of Guarantee	798.247	679.218
Letters of Guarantee Given to Customs Offices	465.861	407.385
Other Letters of Guarantee	6.384.724	7.602.220
Total	**18.520.073**	**17.485.186**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	**2.334.009**	**3.913.293**
Less Than or Equal to One Year with Original Maturity	701.085	1.305.237
More Than One Year with Original Maturity	1.632.924	2.608.056
Other Non-Cash Loans	**22.914.407**	**19.775.953**
Total	**25.248.416**	**23.689.246**

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

3. Other information on non-cash loans:

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	**45.361**	**0,45**	**56.725**	**0,38**	**28.886**	**0,33**	**40.184**	**0,27**
Farming and Raising Livestock	40.387	0,40	20.314	0,14	28.886	0,33	22.864	0,15
Forestry	4.029	0,04	-	-	-	-	-	-
Fishing	945	0,01	36.411	0,24	-	-	17.320	0,12
Manufacturing	**1.752.816**	**17,25**	**7.981.711**	**52,88**	**2.318.397**	**26,51**	**7.534.257**	**50,42**
Mining and Quarrying	71.454	0,70	43.415	0,29	14.211	0,16	25.627	0,17
Production	1.542.076	15,18	7.561.854	50,10	2.156.385	24,66	6.766.518	45,28
Electricity, gas and water	139.286	1,37	376.442	2,49	147.801	1,69	742.112	4,97
Construction	**2.999.993**	**29,54**	**1.773.854**	**11,75**	**2.953.023**	**33,77**	**1.791.908**	**11,99**
Services	**5.233.409**	**51,52**	**5.211.664**	**34,53**	**2.718.719**	**31,09**	**5.483.620**	**36,69**
Wholesale and Retail Trade	3.279.690	32,29	1.787.835	11,85	932.803	10,67	1.252.602	8,38
Hotel, Food and Beverage Services	143.138	1,41	591.954	3,92	109.159	1,25	687.370	4,60
Transportation&Communication	385.965	3,80	1.140.874	7,56	307.762	3,52	1.087.830	7,28
Financial Institutions	1.010.955	9,95	1.166.149	7,73	1.031.711	11,80	1.619.277	10,84
Real Estate and Renting Services	17.485	0,17	618	0,00	-	-	236	-
Self-Employment Services	241.315	2,38	75.311	0,50	96.221	1,10	24.265	0,16
Educational Services	7.396	0,07	12.354	0,08	5.832	0,07	6.028	0,04
Health and Social Services	147.465	1,45	436.569	2,89	235.231	2,68	806.012	5,39
Other	**124.503**	**1,24**	**68.380**	**0,46**	**725.792**	**8,30**	**94.460**	**0,63**
Total	**10.156.082**	**100,00**	**15.092.334**	**100,00**	**8.744.817**	**100,00**	**14.944.429**	**100,00**

4. Information on non-cash loans classified under group I and II:

Current Period (*)	**I. Group**		**II. Group**	
	TL	**FC**	**TL**	**FC**
Letters of Guarantee	9.859.458	8.405.603	158.462	52.530
Bill of Exchange and Acceptances	23.857	4.859.264	-	9.154
Letters of Credit	70.285	1.764.718	-	1.065
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**9.953.600**	**15.029.585**	**158.462**	**62.749**

(*) 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 44.020 are excluded.

Prior Period (*)	**I. Group**		**II. Group**	
	TL	**FC**	**TL**	**FC**
Letters of Guarantee	8.514.934	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	**8.530.873**	**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 on derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**94.480.430**	**111.507.211**
Forward transactions (*)	13.318.631	9.245.005
Swap transactions	71.029.014	89.696.716
Futures transactions	372.471	237.014
Option transactions	9.760.314	12.328.476
Interest Related Derivative Transactions (II)	**55.628.336**	**41.650.654**
Forward rate transactions	-	-
Interest rate swap transactions	55.628.336	41.650.654
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	**1.216.707**	**815.440**
A. Total Trading Derivative Transactions (I+II+III)	**151.325.473**	**153.973.305**
Types of hedging transactions		
Fair value hedges	32.541.556	24.232.920
Cash flow hedges	45.139.837	41.249.602
Net investment hedges	-	-
B. Total Hedging Related Derivatives	**77.681.393**	**65.482.522**
Total Derivative Transactions (A+B)	**229.006.866**	**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	3.358.064	876.707	8.650.349	29.229.442	1.787.090	2.954.522	11.063	53.338	-
USD	1.086.323	5.135.809	79.841.334	46.483.098	2.282.209	1.535.524	176.000	123.376	1.216.707
Euro	1.885.402	620.119	15.844.272	26.774.083	706.491	413.655	-	8.694	-
Other	298.949	57.258	(2.492.139)	8.304	58.422	22.401	-	-	-
Total	**6.628.738**	**6.689.893**	**101.843.816**	**102.494.927**	**4.834.212**	**4.926.102**	**187.063**	**185.408**	**1.216.707**

(*) 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 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 installment loan amounting to TL 7.529.563 (December 31, 2018 – TL 6.055.337) are subject to hedge accounting by swaps with a nominal of TL 7.072.873 (December 31, 2018 – TL 6.922.598). On September 30, 2019 the net market valuation difference income amounting to TL 55.532 due to the gain from the loans amounting to TL 796.357 (September 30, 2018 – TL 860.133 loss) and loss from swaps amounting to TL 740.825 (September 30, 2018 – TL 872.007 gain) loss is accounted for under "gain / (loss) from financial derivatives transactions" line in the accompanying financial statements.

In the current period, the Parent Bank terminated its hedging accounting for the project finance loan, which it had used in foreign currencies in the previous periods for the purpose of hedging fair value risk. Accordingly, fair value difference income amounting to TL 25.611 is recognized in the loans item of the balance sheet and the fair value difference amount is amortized over the maturity of the loan subject to hedging.

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 33.270 (September 30, 2018 – TL 33.323 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 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) are subject to hedge accounting by interest rate swaps with the same nominal value. On September 30, 2019, the net market valuation difference gain amounting to TL 967 due to gain from Eurobonds amounting to TL 271.360 (September 30, 2018 – TL 55.941 loss) and loss from swaps amounting to TL 270.393 (September 30, 2018 – TL 57.658 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) Marketable securities 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 1.045 million (December 31, 2018 – USD 283 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of September 30, 2019, TL 1.284 net fair valuation difference loss, net of TL 110.431 (September 30, 2018 – TL 5.122 gain) loss from issued bonds and TL 109.147 (September 30, 2018 – TL 5.268 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 42.593 (December 31, 2018 – TL 411.438) have been subject to hedge accounting with the same amount of swaps. As of September 30, 2019, TL 1 (September 30, 2018 – TL 17 net fair value difference gain) net fair valuation difference gain, net of TL 61 (September 30, 2018 – TL 783 gain) loss from issued bonds and TL 62 (September 30, 2018 – TL 767 loss) 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 September 30, 2019, a net mark to market difference loss at an amount of TL 79 (September 30, 2018- TL 20 loss) sourcing from loss at an amount of TL 1.107 (September 30, 2018 – TL 640 loss) from aforementioned credit and gain at an amount of TL 1.028 (September 30, 2018 – TL 620 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 384.871 (December 31, 2018 – TL 149.988) is subjected to hedge accounting with a swap having same amount. A net mark to market difference gain at an amount of TL 137 (September 30, 2018 - TL 797 net mark to market difference loss) sourcing from loss at an amount of TL 11.692 (September 30, 2018 – TL 2.370 gain) from aforementioned credit and gain at an amount of TL 11.829 (September 30, 2018 – TL 3.167 loss) from swaps is recognized under “Gain/Loss from Derivative Financial Transactions.”

5.2 Cash flow hedge accounting

a) Variable Rate Loans

The Parent Bank is subject to cash flow risk protection accounting through interest rate swaps in order to protect a certain portion of its long-term variable rate loans from changes in market interest rates. At each balance sheet date, the Bank conducts efficiency tests for hedging accounting, and the active parts are accounted in “hedging funds” under equity in the financial statements as defined in TAS 39, while the amount related to the inactive part is associated with the income statement. As of the balance sheet date, swaps with a nominal amount of USD 875 million (31 December 2018 – None) have been subject to hedging accounting as hedging instruments. As a result of the said hedging accounting, fair value income before tax of TL 44.360 (31 December 2018 – None) was accounted under equity in the current period. Income amounting to TL 1 for the inactive part is associated with the income statement.

b) 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 1.950.000 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 loss before taxes amounting to TL 226.883 are accounted for under equity during the current period (September 30, 2018 – TL 217.724 gain). The amounts for the ineffective portion of revenues in the amount of TL 448 gain is associated with the income statement (September 30, 2018 – TL 1.961 gain).

As of the balance sheet date, swaps with a nominal amount of USD 2.222 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 783.948 are accounted under equity during the current period (September 30, 2018 – TL 766.527 gain). The loss amounting to TL 2.522 (September 30, 2018 – TL 1.389 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 10.786 transferred amount from equity to income statement due to ineffectiveness or matured swaps (September 30, 2018– TL 5.129 loss).

c) Floating Rate Liabilities

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 230.965 are accounted for under equity during the current period (December 31, 2018- TL 6.909 loss). The loss amounting to TL 616 for the ineffective portion is associated with statement of gain and loss.

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

d) 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 431.975 (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 952 (September 30, 2018 – TL 910 gain) before tax is recognized under equity in the current period.

Subsidiary QNB Finance Leasing A.Ş applies fair value hedging accounting through interest rate swaps in order to protect itself from changes in the interest rate on TL loans with variable interest rates. As of the balance sheet date, swaps amounting to TL 70,300 have been subject to hedging accounting as hedging instruments. In the current period, net market valuation difference income amounting to TL 379 before tax is recognized in "profit/loss from derivative financial transactions" in the financial statements as a result of the hedging accounting.

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

6. Credit derivatives and risk exposures on credit derivatives

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

As of September 30, 2019, "Other Derivative Financial Instruments" with nominal amount of USD 215.000.000 (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 215.000.000.

7. Information on contingent liabilities and assets

The Parent Bank has recorded a provision of TL 104.890 (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 others

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 August 2019	
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	Individual Credit Rating Of The Bank	B+
Main Credit Evaluation	b3	Long-Term National	AA (tur)	Individual Assessment Appearance	Negative
Adjusted Main Credit Evaluation	b1	Appearance	Negative	Exceptional Level Of Support	High
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 on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	4.897.350	223.835	3.648.570	82.413
Medium and Long-Term Loans	5.090.425	1.283.624	4.713.409	1.082.585
Non-Performing Loans	55.116	-	75.794	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total (*)	**10.042.891**	**1.507.459**	**8.437.773**	**1.164.998**

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

b) Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank (*)	-	-	-	-
Domestic Banks	134.964	4.701	141.898	479
Foreign Banks	1.905	64.998	2.209	21.536
Foreign Headquarters and Branches	-	-	-	-
Total	**136.869**	**69.699**	**144.107**	**22.015**

(*) The interest income on Required Reserve amounting TL 185.223 excluded from interest income on Banks (September 30, 2018: TL 140.463).

c) Information on interest income on marketable securities:

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss	14.205	597
Financial Assets Measured at Fair Value through Other Comprehensive Income	607.738	197.374
Financial Assets Measured at Amortized Cost	837.870	244.436
Total	**1.459.813**	**442.407**

	Prior Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss	2.351	319
Financial Assets Measured at Fair Value through Other Comprehensive Income	431.358	134.101
Financial Assets Measured at Amortized Cost	539.012	195.898
Total	**972.721**	**330.318**

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 September 30, 2019, valuation of such assets is made according to estimated annual inflation rate of 11%. If valuation of these securities indexed to the CPI had been done by the reference index valid through September 30, 2019, the Group's Marketable securities valuation differences after tax would be increased by TL 15 million and net profit would be decreased by TL 194 million to TL 1.766 million.

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

	Current Period	Prior Period
Interest Received from Investments in Associates and Subsidiaries	1	1

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

2. a) Information on interest expense on borrowings (*):

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	**189.694**	**935.923**	**196.753**	**813.642**
T.R. Central Bank	-	-	-	-
Domestic Banks	122.090	36.058	145.268	21.870
Foreign Banks	67.604	899.865	51.485	791.772
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	**-**	**-**	**-**	**-**
Total	**189.694**	**935.923**	**196.753**	**813.642**

(*) 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	2.774	1.825

c) Information on interest expense paid to securities issued:

As of September 30, 2019, the amount paid to securities issued is TL 1.202.882 (September 30, 2018 – TL 783.275).

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	-	16.812	4.177	-	-	-	-	20.989
Saving Deposits	27	747.526	2.529.888	204.591	178.039	382.623	-	4.042.694
Public Sector Deposits	-	81	403	109	8	10	-	611
Commercial Deposits	576	682.261	730.249	79.206	29.005	38.135	-	1.559.432
Other Deposits	-	12.364	104.441	3.363	1.843	1.523	-	123.534
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**603**	**1.459.044**	**3.369.158**	**287.269**	**208.895**	**422.291**	**-**	**5.747.260**
Foreign Currency								
Deposits	2	49.605	461.929	43.933	35.040	25.123	-	615.632
Bank Deposits	569	38.648	41.318	4.057	278	-	-	84.870
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1.053	-	-	-	-	-	1.053
Total	**571**	**89.306**	**503.247**	**47.990**	**35.318**	**25.123**	**-**	**701.555**
Grand Total	**1.174**	**1.548.350**	**3.872.405**	**335.259**	**244.213**	**447.414**	**-**	**6.448.815**

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	-	27.990	127	-	-	-	-	28.117
Saving Deposits	2	331.806	1.954.172	107.675	55.313	112.811	-	2.561.779
Public Sector Deposits	-	457	1.300	102	10	8	-	1.877
Commercial Deposits	-	322.475	319.568	21.017	46.477	68.643	-	778.180
Other Deposits	-	4.520	24.454	2.415	1.948	69	-	33.406
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**2**	**687.248**	**2.299.621**	**131.209**	**103.748**	**181.531**	**-**	**3.403.359**
Foreign Currency								
Deposits	3	36.025	554.366	39.239	42.238	21.821	-	693.692
Bank Deposits	199	60.091	7.258	174	754	-	-	68.476
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1.122	-	-	-	-	-	1.122
Total	**202**	**97.238**	**561.624**	**39.413**	**42.992**	**21.821**	**-**	**763.290**
Grand Total	**204**	**784.486**	**2.861.245**	**170.622**	**146.740**	**203.352**	**-**	**4.166.649**

(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 (*)	155.856	150.048	139.933	109.809

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

f) Information on financial lease expenses

None (September 30, 2018 – None).

g) Information on interest expenses on factoring payables

None (September 30, 2018 – None).

3. Information on dividend income:

	Current Period	Prior Period
Derivative Financial Assets at Fair Value Through Profit or Lc	-	809
Financial Assets at Fair Value Through Profit or Loss	147	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Other	2.762	3.446
Total	**2.909**	**4.255**

4. Information on trading income/loss:

	Current Period	Prior Period
Trading Gain	**13.158.036**	**20.893.590**
Trading account gain	89.824	53.438
Gain from derivative transactions	9.850.448	11.830.755
Foreign exchange gain/losses	3.217.764	9.009.397
Trading Loss (-)	**13.867.159**	**21.815.032**
Losses on Capital Market Operations	51.722	37.509
Derivative Financial Instruments	10.466.492	10.646.999
Foreign Exchange Losses	3.348.945	11.130.524
Net Trading Income/Loss	**(709.123)**	**(921.442)**

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. Information on expected credit losses and other provision expenses:

	Current Period	Prior Period
Expected Credit Losses Provisions	**1.417.474**	**1.341.479**
12 Month Expected Credit Loss (Stage I)	(181.116)	79.852
Significant Increase in Credit Risk (Stage 2)	123.458	601.103
Lifetime ECL Impaired Credits (Stage 3)	1.475.132	660.524
Marketable Securities Impairment Provision	**(17.698)**	**25.824**
Financial Assets Measured at Fair Value Through Profit/Loss	-	16.502
Financial Assets Measured at Other Comprehensive Income	(17.698)	9.322
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	**47.455**	**-**
Investment in Associates	47.455	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	**2.742**	**(3.526)**
Total	**1.449.973**	**1.363.777**

(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 (*)	19.521	13.761
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses On Tangible Fixed Asset	-	-
Depreciation Expenses On İntangible Fixed Asset	284.630	103.073
Impairment Expenses On İntangible Fixed Asset	-	-
Goodwill İmpairment Expenses	-	-
Amortization Expenses Of İntangible Asset	97.838	88.444
Impairment Expenses Of Equity Participation For Which Equity Method İs 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	893.844	925.667
IFRS 16 Leasing Expenses	*4.153*	*180.398*
Maintenance Expenses	*183.981*	*137.125*
Advertisement Expenses	*75.958*	*89.701*
Other Expenses	*629.752*	*518.443*
Loss On Sales Of Assets	50	27
Other (**)	375.581	315.136
Total	**1.671.464**	**1.446.108**

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

(**) Comprising repayments amounting to TL 4.351 (September 30, 2018: TL 7.244) 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 before taxes from continued and discontinued operations:

For the period ended September 30, 2019, net interest income of TL 5.411.806 (September 30, 2018 – TL 5.553.563), net fees and commission income of TL 2.096.999 (September 30, 2018 – TL 1.583.612) and other operating income of TL 141.204 (September 30, 2018 – TL 56.799) constitute an important part of the period income.

9. Information on provision for taxes from continued and discontinued operations:

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

As of September 30, 2019, the Group recorded current tax income of TL 19.414 (September 30, 2018 - TL 923.492 current tax charges) and a deferred tax charges of TL 440.747 (September 30, 2018 – TL 427.280 deferred tax revenue).

	Current Period	Prior Period
Current Tax Provision	19.414	(923.492)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/ (Expense)	(440.747)	427.280
Total	**(421.333)**	**(496.212)**

9.2. Explanations on operating profit/loss after taxes

None (September 30, 2018 – None).

10. Explanation on current period net profit and loss of continued and discontinued operations:

Net profit of the Group from continued operations is TL 2.140.811 (September 30, 2018 – TL 1.901.258).

11. Explanations on net income/loss for the period

11.1. Any further explanation on operating results needed for better understanding of bank's performance

None (September 30, 2018 – None).

11.2 Any changes in the Group's estimations that might have a material effect on current period results

None (September 30, 2018 – None).

11.3 Profit or loss attributable to minority shares

	Current Period	Prior Period
Profit / Loss Attributable to Minority Shares	461	556

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 subaccounts of other items in the income statement account that exceeds 20% of the individual other item exceeding 10% of the income

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. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1.1. As of September 30, 2019, the Parent Bank's risk group has deposits amounting to TL 302.974 (December 31, 2018 – TL 445.875), cash loans amounting to TL 253 (December 31, 2018 – TL 4.408) and non-cash loans amounting to TL 41.133 (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	-	388	215	35.685	38	5.060
Interest and Commission Income	-	1	-	1	7	56

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	-	30	19	45

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

1.2. Information on deposits of the Group'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	17.498	27.885	-	-	285.476	159.107
Interest on deposits (**)	2.774	1.825	-	-	17.306	16.693

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

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

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

1.3. Information on forward and option agreements and other derivative instruments with the Group'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 (**)	-	-	-	19	147	-
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 September 30, 2018 balance.

1.4 Information regarding benefits provided to the Group's top management

As of September 30, 2019, the total amount of remuneration and bonuses paid to key management of the Group is TL 124.345 (September 30, 2018- TL 92.360).

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 September 30, 2019, the rate of cash loans of the risk group divided by to total loans is 0,0%; (December 31, 2018 – 0%); the deposits represented 0,2% (December 31, 2018 – 0,5%) The ratio of total derivative transactions with derivatives risk is 0,0% (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
02.10.2019	TL	112.300	14.20	56
02.10.2019	TL	97.600	14.15	62
02.10.2019	TL	57.611	14.31	64
04.10.2019	TL	320.430	14.00	70
04.10.2019	TL	44.970	13.94	68
11.10.2019	TL	221.925	14.00	84
18.10.2019	TL	360.972	14.14	62
23.10.2019	TL	85.577	13.91	90
24.10.2019	TL	119.982	13.51	63
25.10.2019	TL	153.325	13.60	84

2. Information on the effects of significant changes in foreign exchange rates after balance sheet date on the items denominated in foreign currency and financial statements, and the Group's operations abroad that would affect decision making process of users and foreign operations of the group

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 September 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 October 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 of the Board of Directors

Dear Shareholders,

The year 2019 is defined by a global slowdown and increased monetary support extended by the developed economies in order to reinforce the economy accordingly. In its latest World Economic Outlook, IMF estimates that the global GDP growth for the year 2019 will hit the lowest level since 2008-09 with a 3.0% growth. To this end, the FED has delivered rate cuts of 50 basis points in total since the beginning of the year, while the European Central Bank relaunched its bond-buying program. While the slowdown in growth appears to be triggered mainly by political uncertainties, particularly including the US-China trade wars, such a conclusive settlement in the short term is regarded as unlikely. Therefore, the low-interest landscape in developing countries is projected to persist for a while.

The Turkish economy is positively affected by these developments. As external financing becomes less costly with the lower interest rates, and the balance of payments benefits from lower raw material and energy costs due to the weak global demand. Accordingly, the economic activity has tended to experience a moderate recovery since the beginning of this year. We estimate the growth to realize at 1% in 2019, and to rise to 4.6% in the upcoming year, based on the expectation that the financial conditions will remain supportive.
Besides the accommodative global conditions, the economic outlook was further strengthened by the decline in inflation on the back of stability-focused policies undertaken in 2018 and accordingly the room created for the Central Bank to deliver rate cuts. Inflation eventually retreated to 9.3% in September from 20% levels seen in the first half of the year. Therefore, CBRT (Central Bank of the Republic of Turkey) set the policy interest rate at 14.0% with a cut of 10 percentage points between July-October 2019. The permanence of the single-digit inflation and continuity of decreasing trend in domestic interest rates will serve as the most decisive factors in the steadiness of growth.

We have entered into the final quarter of 2019 with a sound balance sheet and strong capital structure. With the strength of the principal shareholder QNB (Qatar National Bank) by our side, our bank continues to further contribute to the real economy.

As of September 30, 2019, the total assets of QNB Finansbank increased by 10 percent compared to the year-end of 2018, reaching TL 179 billion 516, while net loans rose by 10 percent to TL 103 billion 331 million, and customer deposits grew by 13 percent to TL 94 billion 271 million. Our bank's net profit in the first nine months of 2019 reached TL 2 billion 141 million, with an increase of 13 percent, compared to the same period of last year.

On the other hand, our ongoing solid capital structure allows QNB Finansbank to continue its commitment in corporate social responsibility efforts at full tilt. We continue to launch critical projects with invaluable contributions of our volunteering colleagues within our "Small Hands Big Dreams" CSR 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 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 Board Members,

Today, we are proud to say that our sound balance sheet and solid capital structure have not only contributed to a robust growth at QNB Finansbank, but also continued to contribute to the Turkish economy in 2019. The Group's contribution to the economy through cash and non-cash loans reached TL 137 billion in the first nine months of 2019.

As of September 30, 2019, the total assets of the Group increased by 10 percent, compared to the year-end of 2018, reaching TL 179 billion 516 million, while net loans rose by 10 percent to TL 103 billion 331 million and customer deposits grew by 13 percent to TL 94 billion 271 million.

In the first 9 months of 2019, our Group's net interest income realized at TL 5 billion 412 million, while net fee and commission revenues increased by 32 percent, compared to the same period of the previous year, to TL 2 billion 97 million. Profit before taxes in the first nine months of 2019 amounted to TL 2 billion 562 million, while net profit reached TL 2 billion 141 million, with an increase of 13 percent, compared to the same period of the previous year.

The total equity of the Group increased by 9 percent, compared to the end of 2018, reaching TL 15 billion 849 million and the capital adequacy ratio realized at 15,45%, as of September 30, 2019.

We focused on establishing a sustainable income generation, while delivering a loan growth above sector. We sustained our profitability through our effective and systematic risk management strategy, which identifies risks accurately and in a timely manner.

In addition, we achieved yet another first in the third quarter of 2019 with our Digital Bridge Project for SMEs. QNB Finansbank, will continue to endeavor to make a significant difference in SME Banking across the industry.

We also continue to contribute to the future of our children, through collaboration with business partners and the invaluable contributions of our volunteering colleagues, within our Small Hands Big Dreams CSR Platform. QNB Finansbank Tales Math Museum Mobile Truck set out for another journey to visit various cities of Anatolia in order to encourage kids to discover the joyous world of mathematics. As part of our project entitled "By the Power of Imagination", in association with the Community Volunteers Foundation (TOG), we will continue to carry out training sessions throughout the 2019-2020 academic year as well, in order to expand our children's imagination and enhance their fiction writing and storytelling skills.

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

Kind regards,

Temel Güzeloğlu
General Manager
QNB Finansbank A.Ş.

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

Summary Consolidated Financials Belonging to the Period of September 30, 2019

Principal Financial Indicators (Million TL)	September 30, 2019	December 31, 2018
Net Total Loans	103.331	94.315
Securities	26.744	21.387
Total Assets	179.516	163.500
Customer Deposits	94.271	83.149
Equity	15.849	14.603

	September 30, 2019	September 30, 2018
Net Interest Income	5.412	5.554
Net Fee and Commission Income	2.097	1.584
Provision for Loans and Other Receivables (-)	1.450	(1.364)
Profit Before Tax	**2.562**	**2.397**
Tax Provision	421	(496)
Net Profit for the Period	**2.141**	**1.901**

As of September 30, 2019 total assets of the Group increased by 10% and realized TL 179 billion and 516 million. When compared with the end of year 2018, net loans increased by 10% and reached TL 103 billion and 331 million while Customer Deposits increased by 13% and reached up to TL 94 billion and 271 million.

When compared with the first nine-month of year 2019 net interest income realized TL 5 billion and 412 million, net fees and commission income increased by 32% and reached TL 2 billion and 97 million. Consolidated profit of the Group before tax reached TL 2 billion and 562 million and the consolidated net profit for the first nine-month came in at TL 2 billion and 141 million.

When compared with September 30, 2018, total consolidated shareholders' equity increased by 9% and reached up to TL 15 billion 849 million. As of September 30, 2019 capital adequacy ratio of the Group was 15,45%.

As of September 30, 2019, The Parent Bank has operated with 542 branches and 12.740 employees.

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 September 30, 2019 total consolidated net loans increased by 10% and reached TL 103 billion and 331 million in 2018 while total consolidated assets increased by 10% and reached TL 179 billion and 516 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 9%.

Liabilities

Total customer deposits of the Group increased by 9% and reached TL 15 billion and 849 million and shareholders' equity increased by 13% and reached TL 94 billion and 271 million.

Profitability

Net interest income increased by 3% and reached TL 5 billion and 412 million and net fees and commission income increased by 32% and reached TL 2 billion and 97 million. Profit before tax of the Parent Bank reached TL 2 billion and 562 million and the net profit for the period reached TL 2 billion and 141 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 September 30, 2019 was TL 461.