CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS AND
REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH,
SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.

PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT 30 JUNE 2019 WITH AUDITOR'S REVIEW REPORT

(Convenience Translation of the Report on Review of Interim Financial Information Originally Issued in Turkish)

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the General Assembly of Türk Ekonomi Bankası A.Ş.

Introduction

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

Other Matter

The independent audit of the Bank's consolidated financial statements for the year ended 31 December 2018 and the review of the consolidated financial information for the six months interim period ended 30 June 2018 have been performed by another independent auditor. The limited audit report dated August 1, 2018 and independent auditor's report dated February 6, 2019 gave positive opinion and positive result respectively.

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 seven, is not consistent with the reviewed consolidated financial statements and disclosures in all material respects.

Additional Paragraph for Convenience Translation:

The effects of differences between accounting principles and standards explained in detail in section three and 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.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Yaman Polat, SMMM
Partner

Istanbul, 31 July 2019

CONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.
AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

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The consolidated interim financial report for the six-month period, prepared in accordance with “Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced” as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below:

- General Information about the Parent Bank
- Consolidated Interim Financial Statements of the Parent Bank
- Explanations on the Accounting Policies Applied in The Related Period
- Information on Financial Structure and Risk Management of the Group which is under Consolidation
- Disclosures and Footnotes on Consolidated Interim Financial Statements
- Auditor’s Review Report
- Interim Activity Report

The subsidiaries, associates and jointly controlled entities, financial statements have been consolidated in this reporting package are as follows:

	Subsidiaries	**Associates**	**Jointly Controlled Entities**
1	TEB Yatırım Menkul Değerler A.Ş.	-	-
2	TEB Faktoring A.Ş.	-	-
3	TEB Portföy Yönetimi A.Ş.	-	-

Stichting TEB Diversified Payment Rights and TEB Diversified Payment Rights S.A., which are not subsidiary of the Bank but over which the Bank has controlling power, have been included in the consolidation due to the reason that these companies are “Structured Entity”.

The accompanying consolidated interim financial statements for the six-month period, related disclosures and footnotes which have been reviewed and presented in this report are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidances, and incompliance with the financial records of the Parent Bank, and unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

Yavuz Canevi	Jacques Roger Jean Marie Rinino	Ayşe Aşardağ	Ümit Leblebici	M. Aşkın Dolaştır	Gökhan Kazcılar
Chairman of the Board of Directors	Chairman of the Audit Committee	Vice Chairman of the Audit Committee	General Manager	Assistant General Manager Responsible of Financial Reporting	Director Responsible of Financial Reporting

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname/Title : Aslıhan Kaya / External Reporting Senior Manager
Tel No : (0216) 635 24 51
Fax No : (0216) 636 36 36

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

SECTION ONE

GENERAL INFORMATION

I. History of the Parent Bank, Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status, if any

Türk Ekonomi Bankası Anonim Şirketi ("TEB" or "The Bank"), which had been a local bank incorporated in Kocaeli in 1927 under the name of Kocaeli Halk Bankası T.A.Ş., was acquired by the Çolakoğlu Group in 1982. Its title was changed as Türk Ekonomi Bankası A.Ş. and its headquarters moved to İstanbul. On 10 February 2005, BNP Paribas took over 50% of shares of TEB Holding A.Ş. Consequently, BNP Paribas became indirect shareholder of TEB with 42.125% ownership. In 2009, BNP Paribas Group successively acquired 75% of Fortis Bank Belgium and 66% of Fortis Bank Luxembourg and became the shareholder holding the majority of the shares of Fortis Bank Turkey. The indirect majority shareholders of TEB which are BNP Paribas and Çolakoğlu Group has agreed on the merger of TEB and Fortis Bank under the trademark of TEB and following the authorizations obtained from the regulatory authorities on 14 February 2011 the legal merge of two banks has been performed. The process regarding the procedure has been summarized below. As a result of the merger of TEB Holding, TEB has a majority stake of 55% and on the other hand Çolakoğlu Group and BNP Paribas have the share of 50%.

II. Explanation on the Parent Bank's Capital Structure, Shareholders of the Parent Bank who are in Charge of the Management and/or Auditing of the Parent Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Parent Bank's Belongs to

As of 30 June 2019 and 31 December 2018 the shareholders' structure and their respective ownerships are summarized as follows:

	30 June 2019		**31 December 2018**	
Name of shareholders	**Paid in capital**	**%**	**Paid in capital**	**%**
TEB Holding A.Ş.	1,212,415	55.00	1,212,415	55.00
BNPP Yatırımlar Holding A.Ş.	518,342	23.51	518,342	23.51
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23	467,879	21.23
BNP Paribas SA	5,253	0.24	5,253	0.24
Kocaeli Chamber of Commerce	501	0.02	501	0.02
	2,204,390	**100.00**	**2,204,390**	**100.00**

As of 30 June 2019, the Parent Bank's paid-in-capital consists of 2,204,390,000 shares of TL1 (full TL) nominal each.

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Shares of the Parent Bank They Possess

Name	Title	Education
Board of Directors;		
Yavuz Canevi	Chairman of the Board of Directors	Master
Dr.Akın Akbaygil	Deputy Chairman of the Board of Directors	PhD
Jean Paul Sabet	Deputy Chairman of the Board of Directors	University
Ayşe Aşardağ	Member of the Board of Directors and Vice Chairman of the Audit Committee	University
François Andre Jesualdo Benaroya	Member of the Board of Directors	University
Yvan L.A.M De Cock	Member of the Board of Directors and Audit Committee	University
Sabri Davaz	Member of the Board of Directors and Audit Committee	Master
Xavier Henri Jean Guilmineau	Member of the Board of Directors	Master
Özden Odabaşı	Member of the Board of Directors	Master
Jacques Roger Jean Marie Rinino	Member of the Board of Directors and Chairman of the Audit Committee	University
Nicolas de Baudinet de Courcelles	Member of the Board of Directors	University
Ümit Leblebici	General Manager and the Executive Director	Master
Assistant General Managers;		
Gökhan Mendi	Senior Assistant General Manager Responsible from Retail and Private Banking Group	Master
Dr.Nilsen Altıntaş	Assistant General Manager Responsible from Human Resources Group	PhD
Melis Coşan Baban	Chief Legal Advisor and Secretary of the Board of Directors	Master
Mehmet Ali Cer	Assistant General Manager Responsible from Information Technologies	Master
Mustafa Aşkın Dolaştır	Assistant General Manager Responsible from Financial Affairs Group	Master
Osman Durmuş	Assistant General Manager Responsible from Retail and Small Business Credit Group	University
Kubilay Güler	Assistant General Manager Responsible from Banking Operations and Support Services	University
Gülümser Özgün Henden	Assistant General Manager Responsible from Corporate Banking Group	University
Dr.Tuğrul Özbakan	Assistant General Manager Responsible from Asset Liability Management and Treasury Group	PhD
Akil Özçay	Assistant General Manager Responsible from Fixed Income	Master
Gökhan Özdil	Assistant General Manager Responsible from Corporate Loans	University
Ömer Abidin Yenidoğan	Assistant General Manager Responsible from Corporate Investment Banking Group	Master
Ali İhsan Arıdaşır	Assistant General Manager Responsible from SME Credits	University
Ali Gökhan Cengiz	Assistant General Manager Responsible from SME Banking	Master
Group Heads (*);		
Nimet Elif Akpınar	Head of Group Risk Management	University
Birol Deper	Head of Compliance Group and Internal Control Group, Consumer Relations Coordination Officer	Master
Inspection Committee (*);		
Hakan Tıraşın	Internal Audit Group	University

(*) Group Heads and Chairman of the Inspection Committee are in Assistant General Manager status.

There are no Bank shares owned by the above stated Chairman and Members of Board of Directors, General Manager and Assistants.

On 18 July 2019, Nicolas de Baudinet de Courcelles was appointed as Chairman of the Audit Committee of the Parent Bank, replacing Jacques Roger Jean Marie Rinino.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV. Information on the Parent Bank's Qualified Shareholders

Name/Commercial Name	Share Amount	Share Ratio	Paid up Shares	Unpaid Shares
TEB Holding A.Ş.	1,212,415	55.00%	1,212,415	-
BNPP Yatırımlar Holding A.Ş.	518,342	23.51%	518,342	-
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23%	467,879	-

TEB Holding A.Ş. is a member of both Çolakoğlu and BNP Paribas groups. 50% of the shares of TEB Holding A.Ş. are controlled by BNP Paribas, while the remaining 50% is controlled by Çolakoğlu Group. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by BNP Paribas Fortis NV/SA whose shareholders are BNP Paribas Fortis NV/SA by 100% shares, respectively. 100% of the shares of BNP Yatırımlar Holding are controlled by BNP Paribas SA.

V. Summary on the Parent Bank's Functions and Lines of Activity

The Parent Bank's operating areas include, corporate, commercial, SME, retail and private banking as well as project finance and custody operations. Besides the ordinary banking operations, the Parent Bank is handling agency functions through its branches on behalf of TEB Portföy Yönetim A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş. As of 30 June 2019, the Parent Bank has 492 local branches and 4 foreign branches (31 December 2018: 499 local branches, 4 foreign branches). As of 30 June 2019, the number of employees of the Group is 9,467 (31 December 2018: 9,487).

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation about the Entities Subject to Full Consolidation or Proportional Consolidation and Entities which are Deducted from Equity or Entities which are not Included in These Three Methods

There is no difference between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting for the Bank.

The Parent Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş, it is presented as joint venture in financial statements however, and it is carried by cost value since necessary requirements for consolidation is not met.

VII. Current or Likely, Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts between Parent Bank and its Subsidiaries

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

I. Consolidated Balance Sheet
II. Consolidated Statement of Off-Balance Sheet Items
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V. Consolidated Statement of Changes in Shareholders’ Equity
VI. Consolidated Statement of Cash Flows

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2019
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	ASSETS			Reviewed Current Period 30.06.2019			Audited Prior Period 31.12.2018	
		Section 5 Note	TL	FC	Total	TL	FC	Total
I.	**FINANCIAL ASSETS (Net)**		**7,435,855**	**19,475,435**	**26,911,290**	**9,319,870**	**17,581,103**	**26,900,973**
1.1	**Cash and Cash Equivalents**		**3,197,780**	**17,497,976**	**20,695,756**	**3,122,276**	**16,756,038**	**19,878,314**
1.1.1	Cash and Balances with Central Bank	(I-1)	867,989	14,025,178	14,893,167	1,958,549	13,702,503	15,661,052
1.1.2	Banks	(I-4)	1,268,604	3,481,404	4,750,008	883,672	3,060,760	3,944,432
1.1.3	Money Markets		1,062,174	-	1,062,174	281,788	-	281,788
1.1.4	Expected Loss Provision (-)		987	8,606	9,593	1,733	7,225	8,958
1.2	**Financial Assets at Fair Value Through Profit or Loss**		**434,158**	**707,512**	**1,141,670**	**427,287**	**189,287**	**616,574**
1.2.1	Government Debt Securities	(I-2)	398,119	632,260	1,030,379	391,248	136,646	527,894
1.2.2	Equity Securities		36,039	75,252	111,291	36,039	52,641	88,680
1.2.3	Other Financial Assets		-	-	-	-	-	-
1.3	**Financial Assets at Fair Value Through Other Comprehensive Income**	**(I-5)**	**2,159,514**	**1,089,670**	**3,249,184**	**2,867,309**	**425,538**	**3,292,847**
1.3.1	Government Debt Securities		2,153,904	1,089,670	3,243,574	2,861,699	425,538	3,287,237
1.3.2	Equity Securities		5,610	-	5,610	5,610	-	5,610
1.3.3	Other Financial Assets		-	-	-	-	-	-
1.4	**Derivative Financial Assets**		**1,644,403**	**180,277**	**1,824,680**	**2,902,998**	**210,240**	**3,113,238**
1.4.1	Derivative Financial Assets at Fair Value Through Profit and Loss	(I-3)	1,326,035	166,748	1,492,783	2,400,519	210,240	2,610,759
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-12)	318,368	13,529	331,897	502,479	-	502,479
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)**		**55,445,068**	**15,861,551**	**71,306,619**	**53,950,299**	**14,520,450**	**68,470,749**
2.1	**Loans**	**(I-6)**	**54,426,901**	**14,420,188**	**68,847,089**	**52,944,431**	**13,937,117**	**66,881,548**
2.2	**Lease Receivables**	**(I-11)**	**-**	**-**	**-**	**-**	**-**	**-**
2.3	**Factoring Receivables**	**(I-15)**	**830,881**	**841,174**	**1,672,055**	**817,135**	**890,663**	**1,707,798**
2.4	**Other Financial Assets Measured at Amortized Cost**	**(I-7)**	**3,216,778**	**973,257**	**4,190,035**	**2,792,080**	**-**	**2,792,080**
2.4.1	Government Debt Securities		3,216,778	973,257	4,190,035	2,792,080	-	2,792,080
2.4.2	Other Financial Assets		-	-	-	-	-	-
2.5	**Expected Credit Loss (-)**		**3,029,492**	**373,068**	**3,402,560**	**2,603,347**	**307,330**	**2,910,677**
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)**		**119,351**	**-**	**119,351**	**109,104**	**-**	**109,104**
3.1	Held for Sale Purpose	(I-14)	119,351	-	119,351	109,104	-	109,104
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**EQUITY INVESTMENTS**		**5**	**-**	**5**	**5**	**-**	**5**
4.1	**Investments in Associates (Net)**	**(I-8)**	**-**	**-**	**-**	**-**	**-**	**-**
4.1.1	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		-	-	-	-	-	-
4.2	**Subsidiaries (Net)**	**(I-9)**	**-**	**-**	**-**	**-**	**-**	**-**
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3	**Joint Ventures (Net)**	**(I-10)**	**5**	**-**	**5**	**5**	**-**	**5**
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		5	-	5	5	-	5
V.	**PROPERTY AND EQUIPMENT (Net)**		**824,948**	**665**	**825,613**	**295,181**	**-**	**295,181**
VI.	**INTANGIBLE ASSETS(Net)**		**513,039**	**-**	**513,039**	**532,595**	**-**	**532,595**
6.1	Goodwill		421,124	-	421,124	421,124	-	421,124
6.2	Other		91,915	-	91,915	111,471	-	111,471
VII.	**INVESTMENT PROPERTIES(Net)**	**(I-13)**	-	-	-	-	-	-
VIII.	**CURRENT TAX ASSET**		**11,240**	**-**	**11,240**	**1,358**	**-**	**1,358**
IX.	**DEFERRED TAX ASSET**		**523,238**	**-**	**523,238**	**208,699**	**-**	**208,699**
X.	**OTHER ASSETS(Net)**		**1,843,638**	**1,190,336**	**3,033,974**	**1,811,892**	**328,820**	**2,140,712**
	TOTAL ASSETS		**66,716,382**	**36,527,987**	**103,244,369**	**66,229,003**	**32,430,373**	**98,659,376**

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

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	LIABILITIES	Section 5 Note	Reviewed Current Period 30.06.2019 TL	FC	Total	Audited Prior Period 31.12.2018 TL	FC	Total
I.	**DEPOSITS**	**(II-1)**	**33,654,789**	**32,149,696**	**65,804,485**	**37,092,765**	**27,067,369**	**64,160,134**
II.	**FUNDS BORROWED**	**(II-3)**	**943,486**	**11,178,030**	**12,121,516**	**799,844**	**12,397,794**	**13,197,638**
III.	**MONEY MARKET FUNDS**		**1,219,408**	**325,919**	**1,545,327**	**104,977**	**-**	**104,977**
IV.	**SECURITIES ISSUED (Net)**	**(II-4)**	**2,866,435**	**-**	**2,866,435**	**526,592**	**-**	**526,592**
4.1	Bills		2,866,435	-	2,866,435	526,592	-	526,592
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	-	-	-	-	-
V.	**FUNDS**		-	-	-	-	-	-
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS**		-	-	-	-	-	-
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**2,394,663**	**85,600**	**2,480,263**	**2,683,023**	**81,961**	**2,764,984**
7.1	Derivative Financial Liabilities at Fair Value Through Profit and Loss	(II-2)	1,603,715	75,429	1,679,144	2,298,698	77,104	2,375,802
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-7)	790,948	10,171	801,119	384,325	4,857	389,182
VIII.	**FACTORING LIABILITIES**		**130**	**10,392**	**10,522**	**1,434**	**6,527**	**7,961**
IX.	**LEASE LIABILITIES (Net)**	**(II-6)**	**617,954**	**54,181**	**672,135**	**-**	**-**	**-**
X.	**PROVISIONS**	**(II-8)**	**537,878**	**124,345**	**662,223**	**579,921**	**102,307**	**682,228**
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		305,286	25,983	331,269	332,139	17,335	349,474
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		232,592	98,362	330,954	247,782	84,972	332,754
XI.	**CURRENT TAX LIABILITY**	**(II-9)**	**591,941**	**-**	**591,941**	**301,912**	**-**	**301,912**
XII.	**DEFERRED TAX LIABILITY**		-	-	-	-	-	-
XIII.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**		-	-	-	-	-	-
13.1	Held For Sale		-	-	-	-	-	-
13.2	Held From Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**		**-**	**3,102,015**	**3,102,015**	**-**	**2,843,148**	**2,843,148**
14.1	Loans		-	-	-	-	-	-
14.2	Other Debt Instruments		-	3,102,015	3,102,015	-	2,843,148	2,843,148
XV.	**OTHER LIABILITIES**		**2,852,522**	**605,311**	**3,457,833**	**3,428,013**	**769,162**	**4,197,175**
XVI.	**SHAREHOLDERS’ EQUITY**	**(II-10)**	**9,941,175**	**(11,501)**	**9,929,674**	**9,886,100**	**(13,473)**	**9,872,627**
16.1	Paid-in Capital		2,204,390	-	2,204,390	2,204,390	-	2,204,390
16.2	Capital Reserves		391,754	-	391,754	488,101	-	488,101
16.2.1	Share Premiums		2,565	-	2,565	2,565	-	2,565
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		389,189	-	389,189	485,536	-	485,536
16.3	Other Accumulated Comprehensive Income or Expense that will not be Reclassified at Profit and Loss		304,224	-	304,224	299,624	-	299,624
16.4	Other Accumulated Comprehensive Income or Expense that will be Reclassified at Profit and Loss		(351,136)	(11,501)	(362,637)	147,475	(13,473)	134,002
16.5	Profit Reserves		6,728,424	-	6,728,424	5,675,707	-	5,675,707
16.5.1	Legal Reserves		434,338	-	434,338	382,343	-	382,343
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		6,284,394	-	6,284,394	5,184,127	-	5,184,127
16.5.4	Other Profit Reserves		9,692	-	9,692	109,237	-	109,237
16.6	Profit or Loss		655,423	-	655,423	1,062,214	-	1,062,214
16.6.1	Prior Periods’ Profit / Loss		9,497	-	9,497	9,497	-	9,497
16.6.2	Current Periods’ Profit / Loss		645,926	-	645,926	1,052,717	-	1,052,717
16.7	Minority Shares		8,096	-	8,096	8,589	-	8,589
	TOTAL LIABILITIES		**55,620,381**	**47,623,988**	**103,244,369**	**55,404,581**	**43,254,795**	**98,659,376**

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

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

			Reviewed Current Period 30.06.2019			Audited Prior Period 31.12.2018		
		Section 5 Note	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
A.	**OFF BALANCE SHEET COMMITMENTS (I+II+III)**		**67,244,659**	**93,227,362**	**160,472,021**	**70,045,235**	**79,260,240**	**149,305,475**
I.	**GUARANTEES AND WARRANTIES**	**(III-1)**	**9,082,409**	**14,719,491**	**23,801,900**	**9,301,342**	**13,368,187**	**22,669,529**
1.1	Letters of Guarantee		6,819,740	7,685,776	14,505,516	6,883,214	7,188,291	14,071,505
1.1.1	Guarantees Subject to State Tender Law		125,080	78,269	203,349	123,696	83,710	207,406
1.1.2	Guarantees Given for Foreign Trade Operations		425,667	488,656	914,323	412,617	489,797	902,414
1.1.3	Other Letters of Guarantee		6,268,993	7,118,851	13,387,844	6,346,901	6,614,784	12,961,685
1.2	Bank Acceptances		-	21,797	21,797	-	34,672	34,672
1.2.1	Import Letter of Acceptance		-	21,797	21,797	-	34,672	34,672
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		2,478	2,951,499	2,953,977	2,738	2,689,073	2,691,811
1.3.1	Documentary Letters of Credit		205	1,233,322	1,233,527	400	1,355,735	1,356,135
1.3.2	Other Letters of Credit		2,273	1,718,177	1,720,450	2,338	1,333,338	1,335,676
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	Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		2,260,021	2,604,152	4,864,173	2,414,187	2,423,901	4,838,088
1.9	Other Collaterals		170	1,456,267	1,456,437	1,203	1,032,250	1,033,453
II.	**COMMITMENTS**	**(III-1)**	**17,870,658**	**8,637,106**	**26,507,764**	**13,167,163**	**2,913,113**	**16,080,276**
2.1	Irrevocable Commitments		17,870,658	8,637,106	26,507,764	13,167,163	2,913,113	16,080,276
2.1.1	Asset Purchase Commitments		3,880,417	8,051,925	11,932,342	1,082,628	2,046,312	3,128,940
2.1.2	Deposit Purchase and Sale Commitments		-	-	-	-	603,610	603,610
2.1.3	Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		4,608,532	172,594	4,781,126	4,243,982	158,227	4,402,209
2.1.5	Securities Issuance Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheque Payments		2,026,232	-	2,026,232	1,681,617	-	1,681,617
2.1.8	Tax and Fund Liabilities from Export Commitments		55,368	-	55,368	54,955	-	54,955
2.1.9	Commitments for Credit Card Limits		7,288,814	-	7,288,814	6,093,650	-	6,093,650
2.1.10	Commitments for Credit Cards and Banking Services Promotions		5,215	-	5,215	4,357	-	4,357
2.1.11	Receivables from Short Sale Commitments on Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments on Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		6,080	412,587	418,667	5,974	104,964	110,938
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**40,291,592**	**69,870,765**	**110,162,357**	**47,576,730**	**62,978,940**	**110,555,670**
3.1	Derivative Financial Instruments for Hedging Purposes		15,085,951	10,123,258	25,209,209	17,040,694	7,618,300	24,658,994
3.1.1	Fair Value Hedge		-	1,693,471	1,693,471	-	-	-
3.1.2	Cash Flow Hedge		15,085,951	8,429,787	23,515,738	17,040,694	7,618,300	24,658,994
3.1.3	Foreign Net Investment Hedges		-	-	-	-	-	-
3.2	Held for Trading Transactions		25,205,641	59,747,507	84,953,148	30,536,036	55,360,640	85,896,676
3.2.1	Forward Foreign Currency Buy/Sell Transactions		4,491,573	6,118,176	10,609,749	4,332,308	7,661,498	11,993,806
3.2.1.1	Forward Foreign Currency Transactions-Buy		2,474,718	2,900,725	5,375,443	2,332,275	3,784,324	6,116,599
3.2.1.2	Forward Foreign Currency Transactions-Sell		2,016,855	3,217,451	5,234,306	2,000,033	3,877,174	5,877,207
3.2.2.	Swap Transactions Related to Foreign Currency and Interest Rates		17,821,648	47,472,078	65,293,726	21,025,783	40,059,772	61,085,555
3.2.2.1	Foreign Currency Swap-Buy		3,125,993	27,518,199	30,644,192	6,432,076	22,606,791	29,038,867
3.2.2.2	Foreign Currency Swap-Sell		13,895,655	17,367,127	31,262,782	14,283,707	14,663,969	28,947,676
3.2.2.3	Interest Rate Swaps-buy		400,000	1,293,376	1,693,376	155,000	1,394,506	1,549,506
3.2.2.4	Interest Rate Swaps-Sell		400,000	1,293,376	1,693,376	155,000	1,394,506	1,549,506
3.2.3	Foreign Currency, Interest Rate and Securities Options		2,699,648	5,240,498	7,940,146	5,177,945	7,497,597	12,675,542
3.2.3.1	Foreign Currency Options-Buy		1,327,229	2,665,966	3,993,195	2,295,403	4,065,930	6,361,333
3.2.3.2	Foreign Currency Options-Sell		1,372,419	2,574,532	3,946,951	2,882,542	3,431,667	6,314,209
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		140,650	506,243	646,893	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		49,746	457,757	507,503	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		90,904	48,486	139,390	-	-	-
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		52,122	410,512	462,634	-	141,773	141,773
B.	**CUSTODY AND PLEDGES RECEIVED (IV+V+VI)**		**204,221,374**	**36,512,386**	**240,733,760**	**166,783,540**	**38,195,370**	**204,978,910**
IV.	**ITEMS HELD IN CUSTODY**		**28,362,257**	**4,623,991**	**32,986,248**	**27,059,177**	**2,660,318**	**29,719,495**
4.1	Customer Fund and Portfolio Balances		2,950,325	-	2,950,325	5,114,637	-	5,114,637
4.2	Investment Securities Held In Custody		14,405,021	3,016,886	17,421,907	10,739,307	1,224,567	11,963,874
4.3	Cheques Received for Collection		10,194,125	1,014,437	11,208,562	10,337,345	914,949	11,252,294
4.4	Commercial Notes Received for Collection		508,465	158,106	666,571	520,901	150,183	671,084
4.5	Other assets Received for Collection		-	434,562	434,562	-	370,619	370,619
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items under Custody		304,321	-	304,321	346,987	-	346,987
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGES RECEIVED**		**170,365,341**	**30,980,282**	**201,345,623**	**134,055,340**	**34,300,621**	**168,355,961**
5.1	Marketable Securities		292,490	103,937	396,427	456,962	914,680	1,371,642
5.2	Guarantee Notes		48,826,005	21,044,877	69,870,882	51,983,348	21,448,844	73,432,192
5.3	Commodity		14,117	303,015	317,132	17,208	671,712	688,920
5.4	Warranty		-	-	-	-	-	-
5.5	Immovables		112,227,792	6,911,452	119,139,244	73,125,364	6,604,523	79,729,887
5.6	Other Pledged Items		9,004,937	2,617,001	11,621,938	8,472,458	4,660,862	13,133,320
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED BILL, GUARANTEES AND WARRANTIES**		**5,493,776**	**908,113**	**6,401,889**	**5,669,023**	**1,234,431**	**6,903,454**
	TOTAL OFF BALANCE SHEET COMMITEMENTS (A+B)		**271,466,033**	**129,739,748**	**401,205,781**	**236,828,775**	**117,455,610**	**354,284,385**

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

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	INCOME AND EXPENSE ITEMS	Section 5 Note	Reviewed Current Period 01.01-30.06.2019	Reviewed Prior Period 01.01-30.06.2018	Reviewed Current Period 01.04-30.06.2019	Reviewed Prior Period 01.04-30.06.2018
I.	**INTEREST INCOME**	**(IV-1)**	**6,432,211**	**5,077,453**	**3,280,447**	**2,686,799**
1.1	Interest Income on Loans		5,493,763	4,350,000	2,789,043	2,288,996
1.2	Interest Income on Reserve Requirements		70,763	56,008	33,900	31,181
1.3	Interest Income on Banks		116,750	82,631	50,224	51,335
1.4	Interest Income on Money Market Transactions		131,318	61,508	65,873	29,936
1.5	Interest Income on Securities Portfolio		502,950	419,544	282,709	228,900
1.5.1	Financial Assets at Fair Value Through Profit or Loss		69,294	65,306	33,741	33,914
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		158,455	188,761	93,514	105,977
1.5.3	Financial Assets Measured at Amortised Cost		275,201	165,477	155,454	89,009
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		116,667	107,762	58,698	56,451
II.	**INTEREST EXPENSE (-)**	**(IV-2)**	**4,007,018**	**2,800,860**	**2,090,165**	**1,518,120**
2.1	Interest Expense on Deposits		3,272,007	2,401,131	1,645,523	1,297,757
2.2	Interest Expense on Funds Borrowed		324,389	249,680	168,664	138,295
2.3	Interest Expense on Money Market Transactions		52,733	13,841	24,172	7,586
2.4	Interest Expense on Securities Issued		242,208	132,577	203,462	72,765
2.5	Interest Expense on Leases		49,823	-	25,880	-
2.6	Other Interest Expenses		65,858	3,631	22,464	1,717
III.	**NET INTEREST INCOME (I - II)**		**2,425,193**	**2,276,593**	**1,190,282**	**1,168,679**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**764,061**	**651,232**	**378,008**	**327,862**
4.1	Fees and Commissions Received		1,204,007	914,192	611,188	473,168
4.1.1	Non-cash Loans		147,534	99,468	75,527	51,374
4.1.2	Other	(IV-9)	1,056,473	814,724	535,661	421,794
4.2	Fees and Commissions Paid (-)		439,946	262,960	233,180	145,306
4.2.1	Non-cash Loans		2,563	2,121	1,305	1,087
4.2.2	Other	(IV-9)	437,383	260,839	231,875	144,219
V.	**DIVIDEND INCOME**		**1,025**	**149**	**898**	**75**
VI.	**TRADING INCOME / LOSS (Net)**	**(IV-3)**	**(172,173)**	**(323,356)**	**(39,229)**	**(104,595)**
6.1	Securities Trading Gains / Losses		33,339	(83,167)	124,620	(62,587)
6.2	Gains / Losses on Derivative Financial Instruments		(11,566)	1,756,697	(128,202)	1,822,219
6.3	Foreign Exchange Gains / Losses		(193,946)	(1,996,886)	(35,647)	(1,864,227)
VII.	**OTHER OPERATING INCOME**	**(IV-4)**	**56,033**	**50,289**	**29,795**	**25,532**
VIII.	**GROSS OPERATING PROFIT (III+IV+V+VI+VII+VIII)**		**3,074,139**	**2,654,907**	**1,559,754**	**1,417,553**
IX.	**EXPECTED CREDIT LOSS (-)**	**(IV-5)**	**707,786**	**388,316**	**384,230**	**163,338**
X.	**OTHER PROVISION EXPENSES (-)**	**(IV-5)**	**(450)**	**567**	**(62,289)**	**550**
XI.	**PERSONNEL EXPENSE (-)**		**751,614**	**662,935**	**385,105**	**347,999**
XII.	**OTHER OPERATING EXPENSES (-)**	**(IV-6)**	**783,666**	**653,412**	**420,467**	**334,742**
XIII.	**NET OPERATING INCOME/LOSS (VIII-IX-X-XI-XII)**		**831,523**	**949,677**	**432,241**	**570,924**
XIV.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		-	-	-	-
XV.	**INCOME/LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUTY METHOD**		-	-	-	-
XVI.	**INCOME/LOSS ON NET MONETARY POSITION**		-	-	-	-
XVII.	**PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)**		**831,523**	**949,677**	**432,241**	**570,924**
XVIII	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	**(IV-7)**	**(184,656)**	**(209,796)**	**(99,223)**	**(126,156)**
18.1	Current Tax Provision		(346,498)	(97,644)	(337,327)	(84,426)
18.2	Deferred Tax Income Effect(+)		(54,602)	(405,304)	168,026	(275,806)
18.3	Deferred Tax Expense Effect(-)		216,444	293,152	70,078	234,076
XIX.	**CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVI±XVII)**		**646,867**	**739,881**	**333,018**	**444,768**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-	-	-
20.1	Income from Non-current Assets Held for Sale		-	-	-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
20.3	Income from Other Discontinued Operations		-	-	-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-	-	-
21.1	Expenses from Non-current Assets Held for Sale		-	-	-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
21.3	Expenses for Other Discontinued Operations		-	-	-	-
XXII.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)**	**(IV-7)**	-	-	-	-
XXIII	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		-	-	-	-
23.1	Current Tax Provision		-	-	-	-
23.2	Deferred Tax Expense Effect(+)		-	-	-	-
23.3	Deferred Tax Income Effect(-)		-	-	-	-
XXIV.	**CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)**		-	-	-	-
XXV.	**NET INCOME/LOSS (XIX+XXIV)**	**(IV-8)**	**646,867**	**739,881**	**333,018**	**444,768**
25.1	Group's Profit / Loss		645,926	739,049	332,675	444,432
25.2	Minority Interest Profit / Loss (-)		941	832	343	336
	Earnings per Share		0.2930	0.3353	0.1509	0.2016

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

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Reviewed Current Period 30.06.2019	**Audited Prior Period 30.06.2018**
I.	**CURRENT PERIOD INCOME/LOSS**	**646,867**	**739,881**
II.	**OTHER COMPREHENSIVE INCOME**	**(492,026)**	**151,968**
2.1	**Other Comprehensive Income that will not be Reclassified through Profit or Loss**	**4,600**	**(90)**
2.1.1	Gains (losses) on Revaluation of Property, Plant and Equipment	-	-
2.1.2	Gains (losses) on Revaluation of Intangible Assets	-	-
2.1.3	Gains (losses) on Remeasurement of Defined Benefit Plans	5,750	-
2.1.4	Other Components of Other Comprehensive Income that will not be Reclassified through Profit or Loss	-	(90)
2.1.5	Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified through Profit or Loss	(1,150)	-
2.2	**Other Comprehensive Income that will be Reclassified to Profit or Loss**	**(496,626)**	**152,058**
2.2.1	Exchange Differences on Translation	-	-
2.2.2	Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value through Other Comprehensive Income	96,774	(118,677)
2.2.3	Income (loss) related with Cash Flow Hedges	(722,447)	314,981
2.2.4	Income (loss) related with Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Components of Other Comprehensive Income that will be Reclassified through Other Profit or Loss	-	-
2.2.6	Taxes Relating to Components of Other Comprehensive Income that will be Reclassified through Profit or Loss	129,047	(44,246)
III.	**TOTAL COMPHRENSIVE INCOME (I+II)**	**154,841**	**891,849**

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

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CHANGED IN SHAREHOLDERS' EQUITY						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
	Reviewed	Paid-in Capital	Share Premiums	Share Cancellation Profit	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Shares	Minority Shares	Total Shareholders' Equity
	Prior Period – 01.01-30.06.2018																
I.	**Beginning Balance**	**2,204,390**	**2,565**	**-**	**670,966**	**266,122**	**58,351**	**919**	**-**	**(38,394)**	**136,593**	**4,694,289**	**1,097,665**	**-**	**9,093,466**	**8,394**	**9,101,860**
II.	**Corrections According to TAS 8**	**-**	**-**	**-**	**(185,430)**	**-**	**-**	**-**	**-**	**4,562**	**-**	**(6,750)**	**-**	**-**	**(187,618)**	**-**	**(187,618)**
2.1	The Effect of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	The Effects of Changes in Accounting Policy	-	-	-	(185,430)	-	-	-	-	4,562	-	(6,750)	-	-	(187,618)	-	(187,618)
III.	**New Balance (I+II)**	**2,204,390**	**2,565**	**-**	**485,536**	**266,122**	**58,351**	**919**	**-**	**(33,832)**	**136,593**	**4,687,539**	**1,097,665**	**-**	**8,905,848**	**8,394**	**8,914,242**
IV.	**Total Comprehensive Income**	**-**	**-**	**-**	**-**	**-**	**-**	**(90)**	**-**	**(94,193)**	**246,321**	**-**	**-**	**739,049**	**891,087**	**762**	**891,849**
V.	**Capital Increase by Cash**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase by Internal Sources**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Paid-in Capital Inflation Adjustment Difference**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds to Shares**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Debt Instruments**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Increase/Decrease by Other Changes**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**988,168**	**(1,088,168)**	**-**	**(100,000)**	**(1,426)**	**(101,426)**
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(100,000)	-	(100,000)	(1,426)	(101,426)
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	988,168	(988,168)	-	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance 30.06.2018 (III+IV+V+VI+VII+VIII+IX+X+XI)	**2,204,390**	**2,565**	**-**	**485,536**	**266,122**	**58,351**	**829**	**-**	**(128,025)**	**382,914**	**5,675,707**	**9,497**	**739,049**	**9,696,935**	**7,730**	**9,704,665**
	Current Period – 01.01-30.06.2019																
I.	**Prior Period End Balance**	**2,204,390**	**2,565**	**-**	**485,536**	**266,122**	**31,706**	**1,796**	**-**	**(139,731)**	**273,733**	**5,675,707**	**1,062,214**	**-**	**9,864,038**	**8,589**	**9,872,627**
II.	**Corrections According to TAS 8**	**-**	**-**	**-**	**(96,347)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(96,347)**	**-**	**(96,347)**
2.1	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	(96,347)	-	-	-	-	-	-	-	-	-	(96,347)	-	(96,347)
III.	**Adjusted Beginning Balance (I+II)**	**2,204,390**	**2,565**	**-**	**389,189**	**266,122**	**31,706**	**1,796**	**-**	**(139,731)**	**273,733**	**5,675,707**	**1,062,214**	**-**	**9,767,691**	**8,589**	**9,776,280**
IV.	**Total Comprehensive Income**	**-**	**-**	**-**	**-**	**-**	**4,600**	**-**	**-**	**75,472**	**(572,111)**	**-**	**-**	**645,926**	**153,887**	**954**	**154,841**
V.	**Capital Increase by Cash**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase by Internal Sources**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Paid-in Capital Inflation Adjustment Difference**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds to Shares**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Debt Instruments**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Increase/Decrease by Other Changes**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,052,717**	**(1,052,717)**	**-**	**-**	**(1,447)**	**(1,447)**
11.1	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,447)	(1,447)
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	1,052,717	(1,052,717)	-	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance 30.06.2019 (III+IV+V+VI+VII+VIII+IX+X+XI)	**2,204,390**	**2,565**	**-**	**389,189**	**266,122**	**36,306**	**1,796**	**-**	**(64,259)**	**(298,378)**	**6,728,424**	**9,497**	**645,926**	**9,921,578**	**8,096**	**9,929,674**

1. Increase/decrease from tangible assets accumulated revaluation reserve,
2. Accumulated gains / losses on remeasurements of defined benefit plans,
3. Other (Other comprehensive ıncome of associates and joint ventures accounted with equity method that will not be reclassified at profit or loss and other accumulated amounts of other comprehensive income items that will not be reclassified at profit or loss),
4. Foreign currency translation differences,
5. Accumulated revaluation and / or classification gains / losses of financial assets at fair value through other comprehensive income,
6. Other (Cash flow hedge gains / losses, other comprehensive ıncome of associates and joint ventures accounted with equity method that will be reclassified at profit or loss and other accumulated amounts of other comprehensive income items that will be reclassified at profit or loss).

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

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

		Reviewed Current Period 30.06.2019	Reviewed Prior Period 30.06.2018
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities**	**1,919,731**	**(806)**
1.1.1	Interest received	6,119,716	4,665,176
1.1.2	Interest paid	(4,181,700)	(2,676,939)
1.1.3	Dividend received	1,025	149
1.1.4	Fees and commissions received	1,193,680	928,446
1.1.5	Other income	1,169,087	778,864
1.1.6	Collections from previously written off loans	406,237	486,266
1.1.7	Payments to personnel and service suppliers	(741,564)	(652,176)
1.1.8	Taxes paid	(103,068)	(89,816)
1.1.9	Others	(1,943,682)	(3,440,776)
1.2	**Changes in operating assets and liabilities**	**(4,552,288)**	**3,319,110**
1.2.1	Net (increase) in financial asset at fair value through profit or loss	(518,291)	(473,231)
1.2.2	Net increase/ decrease in due from banks and other financial institutions	(1,409)	7,661
1.2.3	Net (increase) in loans	(1,978,676)	(7,482,100)
1.2.4	Net (increase) in other assets	(3,161,652)	(2,202,773)
1.2.5	Net (decrease) in bank deposits	1,452,581	808,308
1.2.6	Net increase in other deposits	2,008,666	9,315,845
1.2.7	Net increase / decrease in financial asset at fair value through profit or loss	-	-
1.2.8	Net (decrease) in funds borrowed	(1,015,026)	2,033,833
1.2.9	Net increase / decrease in matured payables	-	-
1.2.10	Net increase in other liabilities	(1,338,481)	1,311,567
I.	**Net cash provided from banking operations**	**(2,632,557)**	**3,318,304**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from investing activities**	**(1,221,040)**	**(966,547)**
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries (Joint Vent.)	-	-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries (Joint Vent.)	-	-
2.3	Cash paid for purchase of tangible assets	(20,321)	(12,630)
2.4	Cash obtained from sale of tangible assets	1,286	26
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income	(1,031,223)	(960,229)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income	914,706	315,231
2.7	Cash paid for purchase of financial assets measured at amortised cost	(1,071,784)	(323,615)
2.8	Cash obtained from sale of financial assets measured at amortised cost	-	41,885
2.9	Others	(13,704)	(27,215)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash provided from financing activities**	**2,226,862**	**409,509**
3.1	Cash obtained from funds borrowed and securities issued	7,179,846	3,550,474
3.2	Cash used for repayment of funds borrowed and securities issued	(4,844,108)	(3,039,539)
3.3	Equity instruments issued	-	-
3.4	Dividends paid	(1,447)	(101,426)
3.5	Payments for financial leases	(107,429)	-
3.6	Others	-	-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**	**456,988**	**161,126**
V.	**Net increase in cash and cash equivalents**	**(1,169,747)**	**2,922,392**
VI.	**Cash and cash equivalents at beginning of the period**	**13,060,154**	**5,960,236**
VII.	**Cash and cash equivalents at end of the period**	**11,890,407**	**8,882,628**

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

SECTION THREE

ACCOUNTING PRINCIPLES

I. Basis of Presentation

a. Financial statements and related explanations and preparation of footnotes in compliance with Turkish Accounting Standards (“TAS”) and “Regulation on Accounting Applications for Banks and Safeguarding of Documents”

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to reporting principles on accounting records of Banks published by the Banking Regulation and Supervision Agency (“BRSA”) and Turkish Accounting Standard 34 “Interim Financial Reporting” put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) for those matters not regulated by the aforementioned regulations. The format and content 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” and “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value.

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

In accordance with the “Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” published in the Official Gazette dated 1 February 2019 with No. 30673, the accompanying previous period financial statements were made compatible with the new financial statement formats. The accompanying unconsolidated financial statements as of 1 January 2018 include the opening effects of TFRS 9 Financial Instruments standard (TFRS 9) which replaces TAS 39 Financial Instruments: Recognition and Measurement standard.

New standards are effective as of 1 January 2019

“TFRS 16 Leasing” Standard was promulgated in Official Gazette No. 29826, dated 16 April 2018 to be applied in the accounting period starting on 1 January 2019. The Bank applied TFRS 16 “Leasing” standard as of 1 January 2019 for the first time. Implementation and effects related to the transition of TFRS 16 are explained in Note XXVI of Section Three.

b. The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements:

The accounting policies and valuation principles used in the preparation of the financial statements are subject to the regulations, communiqués, annotations and circulars issued by BRSA on accounting and financial reporting principles and the TFRS (”BRSA Accounting and Financial Reporting Legislation”) which has been put into force by the POA on issues not regulated by the BRSA. In accordance with the transition requirements of TFRS 16, prior period financial statements and footnotes have not been restated. Implementation and impacts related to the transition of TFRS 16 are explained in Note XXVI of Section Three.

The accounting policies and valuation principles applied in the preparation of the accompanying financial statements are explained between notes II and XXVI.

c. Different accounting policies applied in the preparation of the consolidated financial statements:

In case the accounting policies used by the subsidiaries are different from the Parent Bank, the differences are adjusted in the financial statements considering the materiality criterion.

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Group aims to develop and promote products for the financial needs of each customer such as SMEs, multinational companies and small individual investors in line with Banking Legislation. The primary objective of the Parent Bank is to increase profitability with optimum liquidity and minimum risk while fulfilling customer needs.

Group aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of risk management strategy of the Group, risk bearing short term positions of currency, interest or price movements is performed only by the Asset-Liability Management and Treasury Group using the limits defined by the Board of Directors. The Asset-Liability Committee of the Parent Bank manages the maturity mismatches while deciding the short, medium and long term strategies as well as adopting the principle of positive balance sheet margin as a pricing policy.

The Board of Directors of the Parent Bank allows a purchase risk in treasury operations and individual limits are defined by the Board of Directors for each product.

The Parent Bank's foreign currency asset and liability balances are valuated with the Parent Bank's exchange buying rate at the reporting date and recognized as "Foreign Exchange Gains / Losses" within statement of income.

The Parent Bank's hedging activities for the currency risk due to foreign currency available for sale equity instruments are described under the Currency Risk section; and the Parent Bank's hedging activities from interest rate risk arising from fixed interest rate deposits and floating interest rate borrowings are described in detail under Interest Rate Risk section.

The Parent Bank's Asset-Liability Committee approves the trading of various derivative instruments such as currency swaps, forwards and similar derivatives to hedge interest and currency exchange risks in line with the Parent Bank's balance sheet structure.

III. Information about the Parent Bank and its Consolidated Subsidiaries

The Parent Bank, with no difference in practice between TAS and TFRS, and also the subsidiaries are consolidated by using line-by-line consolidation method. Türk Ekonomi Bankası Anonim Şirketi and its financial institutions, TEB Faktoring A.Ş. (TEB Faktoring), TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım) and TEB Portföy Yönetimi A.Ş. (TEB Portföy) are included in the accompanying consolidated financial statements by line-by-line consolidation method. The Parent Bank and the entities included in the consolidation are referred to as "the Group" in this report.

The accompanying consolidated financial statements are prepared in accordance with "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated 8 November 2006 numbered 26340.

The financial statements of the subsidiaries, which were prepared in accordance with the prevailing principles and rules regarding financial accounting and reporting standards in their respective country of incorporation and the Turkish Commercial Code and/or communiqués of the Capital Market Board, are duly adjusted in order to present their financial statements in accordance with TAS and TFRS.

Explanations on Consolidation Method and Scope

The commercial names of the entities included in consolidation and the locations of the head offices of these institutions:

Commercial Name	Head Office
TEB Faktoring	Turkey
TEB Yatırım	Turkey
TEB Portföy(*)	Turkey

Line-by-line consolidation method is used for all the financial institutions included in the consolidation.

(*) As of 31 May 2019, TEB Portfolio Management acquired all of ING Group's shares in ING Portfolio Management. As of 30 June 2019, TEB Portfolio Management has consolidated ING Portfolio Management with full consolidation method.

III. Information about the Parent Bank and its Consolidated Subsidiaries (continued)

Stichting TEB Diversified Payment Rights and TEB Diversified Payment Rights S.A., which is not subsidiary of the Parent Bank but over which the Parent Bank has controlling power, has been included in the consolidation due to the reason that this company is "Structured Entity".

The financial statements of the subsidiaries are prepared as of 30 June 2019, 31 December 2018 and 30 June 2018.

The transactions and balances between the consolidated entities and the Parent Bank are eliminated.

IV. Explanations on Forward and Option Contracts and Derivative Instruments

The Parent Bank's derivative transactions mainly consist of foreign currency swaps and interest rate swaps, cross currency swaps, currency options and forward foreign currency purchase and sale contracts.

Pursuant to "TFRS 9 Financial Instruments" ("TFRS 9"), derivative financial instruments of the Parent Bank are classified as "Derivative financial assets at fair value through profit or loss" or "Derivative financial assets at fair value through other comprehensive income".

Assets and liabilities arising from derivative transactions are recorded in off-balance sheet through their contractual amounts. Derivative transactions are measured at fair value. In accordance with the classification of derivative financial instruments, if the fair value is positive, they are disclosed under "Derivative Financial Assets at Fair Value Through Profit or Loss" or "Derivative Financial Assets at Fair Value Through Other Comprehensive Income", if the fair value is negative, they are disclosed under "Derivative Financial Liabilities at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income". Differences arising from the fair value changes of derivative financial instruments at fair value through profit or loss are recognized under "Gains / Losses on Derivative Financial Instruments" in "Trading Income / Loss" in the statement of profit or loss. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Derivative financial instruments where the underlying asset is money or commodity are booked based on the amounts to be received/paid at the maturity date. Derivative financial instruments based on interest rate are booked with the principal amount on which the interest rate is calculated.

All derivative financial instruments are measured with fair value method. The fair value of the derivative financial instruments traded in organized markets is the price on the organized market.

The cash flows of forward, currency swap, interest rate swap, and cross currency swap transactions should be determined firstly in order to measure with fair value method. Expected cash flows due to the floating interest rate for these products are defined according to market interest rate at the valuation date. Valuation is calculated by discounting the cash flows with the market interest rate and foreign currencies are converted into Turkish Lira with exchange rates at the valuation date.

Derivative financial instruments based on interest rate are measured not only with fair value method but also with amortized cost. While the fair value of derivatives are reflected in a single valuation account within the balance sheet, the amortized cost and the difference between the fair value and the amortized cost are reflected separately on the income/expense accounts.

Black and Scholes Model is used to measure the fair value of options. Options premiums are accrued on the start date of maturity. The valuation amount is composed of premiums valued at each valuation date. Premium to be paid calculated within this model is recorded as income, and the premium to be collected as expense.

The Parent Bank has adopted fair value and cash flow hedge accounting. Hedge accounting can be applied in order to prevent short-term fluctuations in the income statement resulting from differences between valuation methods of assets and liabilities exposed to interest rate risk and their hedging derivative instruments.

The hedge effectiveness between the derivative instruments/transactions used for hedging and hedged item are measured regularly, and the results are documented. In case of ineffectiveness of hedge accounting, the hedge accounting is terminated.

IV. Explanations on Forward and Option Contracts and Derivative Instruments (continued)

During period where the relation between hedging instrument and the hedged item is measured;

a) Within the scope fair value hedge accounting, the fair value change of the hedged item is recognized in profit and loss,

b) Within the scope of cash flow hedge accounting, the fair value change of the hedged item is recognized in other comprehensive income and the ineffective part of the gain or loss arisen from the hedging instrument is booked in profit or loss.

In the admission of the accounting policies, TFRS 9 presents the option of postponing the adoption of TFRS 9 hedge accounting and continuing to apply the hedge accounting provisions of TAS 39. Within this context, the Bank will continue to apply the hedge accounting provisions of TAS 39.

While the Parent Bank recognizes the fair value changes of the hedged items in the "Other Interest Income" and "Other Interest Expense" accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the "Gains/Losses on Derivative Financial Instruments" account

Additionally, the difference between the fair value and carrying value of the hedged items as of the application date of hedge accounting is amortized based on their maturities and recognized in "Other Interest Income" and "Other Interest Expense" accounts.

V. Explanations on Interest Income and Expenses

Interest income and expenses are recorded on accrual basis. As the interest income and expense is accrued, all tax liabilities are fulfilled.
Financial assets and liabilities for which the future cash payments and collections are known, are discounted by using effective interest rate.
Accrued interest on the loans are not reversed on the date of classification as loans under follow-up.
The interest amount representing the time value of the future collection of loans under follow-up is recognized under interest income.

VI. Explanations on Fees and Commission Income and Expenses

Fees and commissions other than integral part of the effective interest rate of the financial instruments measured at amortized cost are accounted in accordance with the TFRS 15 Revenue from Contracts with Customers Standard.

Income on banking services which are not related to periodic services are recorded as income when they are collected. In order to classify the fees and commissions collected from customers as income on banking services or as other non-interest income, they shouldn't be related with a credit transaction.

All type of fees and commissions collected from customers regarding cash loans are deferred in "commissions on cash loans" account and are recognized as income over the period of the loan by discounting with effective interest rate. Variable costs related with the allocation of consumer loans are calculated and commissions received up to the calculated amount are recorded directly as income.

For Bank assurance services provided by the Parent Bank commissions from insurance companies are recorded as income on accrual basis.

The commissions related with non-cash loans or periodic banking services are deferred and recorded as income over the period according to the cut-off principle. Credit fee and commission expenses which are paid to other companies and institutions regarding financial liabilities and which create operational costs are discounted by effective interest rate and are recorded as expense in relevant period according to the cut-off principle.

VII. Explanations on Financial Assets

The Group classifies and recognizes its financial assets as "Financial Assets at Fair Value Through Profit or Loss", "Financial Assets Measured at Fair Value Through Other Comprehensive Income" or "Financial Assets Measured at Amortised Cost". The financial assets are recognized or derecognized in accordance with the "Recognition and Derecognition" principles defined in Section 3 related to the classification and measurement of financial instruments of "TFRS 9 Financial Instruments" standard published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority (POA). At initial recognition, financial assets are measured at fair value. In the case of financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value.

The Group recognizes a financial asset in the financial statement when, and only when, the Parent Bank becomes a party to the contractual provisions of the instrument. When the Parent Bank first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management. In the current period, the securities portfolio followed up by the Investment Office was transferred to the Asset-Liability Management and Treasury Group with the change in the business model of the Parent Bank management. Financial Assets at Fair Value through Other Comprehensive Income amounting to TL 291,603 in financial statements dated 30 June 2019 has been reclassified to Financial Assets measured at amortized cost. After this classification, the valuation difference of TL 20,141 is removed from equity.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets that are managed by business model other than the business model that aims to "hold to collect" and "hold & sell" the contractual cash flows; acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking; and the financial assets, whose terms do not give rise to cash flows that are solely payments of principal of interest at certain dates. Financial assets at fair value through profit or loss are initially recognized at fair value and are subsequently measured at fair value. Gain and losses upon their valuation are accounted under the profit / loss accounts.

Equity securities classified as financial assets at fair value through profit or loss are recognized at fair value.

Accounting policies related to derivative financial instruments at fair value through profit or loss are explained in Section III. Footnote IV.

Financial Assets at Fair Value through Other Comprehensive Income

Financial assets are classified as financial assets at fair value through other comprehensive income where the business models aim to hold financial assets in order to collect the contractual cash flows and selling assets and the terms of financial asset give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial assets at fair value through other comprehensive income are recognized at acquisition costs that reflect their fair value by adding transaction costs. Financial assets at fair value through other comprehensive income are subsequently measured at their fair value. The interest income of financial assets at fair value through other comprehensive income that are calculated by effective interest rate method are reflected in the statement of profit or loss. The difference between the fair value of the financial assets at fair value through other comprehensive income and the amortized cost of the financial assets, i.e. "Unrealized gains and losses", is not recognized in the statement of profit or loss until the realization of the financial asset, the sale of the asset, the disposal of the asset or being impaired of the asset are accounted under "Other Accumulated Comprehensive Income or Expenses that will be reclassified at Profit or Loss" under shareholders' equity. Accumulated fair value differences under equity are reflected to the income statement when such securities are collected or disposed.

VII. Explanations on Financial Assets (continued)

The Group may elect, at initial recognition, to irrevocably designate an equity investments at fair value other comprehensive income where those investments are hold for purposes other than to generate investments returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss. Dividends continue to be recognized in profit or loss in the financial statements.

All equity instruments classified as financial assets at fair value through other comprehensive income are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Financial Assets Measured at Amortised Cost

Financial investments measured at amortised cost:

A financial asset is classified as a financial asset measured at amortized cost when the Parent Bank's policy within a business model is to hold the asset to collect contractual cash flows and the terms give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial asset measured at amortised cost is recognized at cost which represents its fair value at initial recognition by adding the transaction costs and subsequently measured at amortised cost by using the effective interest rate method. Interest income related to the financial asset measured at amortized cost is recognized in the statement of profit or loss.

Loans

Loans are financial assets to fund borrowers with fixed or determinable payment terms which are not traded on an active market and measured at amortised cost is recognized at cost which represents its fair value at initial recognition by adding the transaction costs and subsequently measured at amortised cost by using the effective interest rate method.

VIII. Explanations on Impairment of Financial Assets

As of 1 January 2018, a loss allowance for expected credit losses is provided for all financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, all financial assets, which are not measured at fair value through profit or loss, loan commitments and financial guarantee contracts in accordance with TFRS 9 principles 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" which came into force starting from 1 January 2018. Equity instruments are not subject to impairment assessment as they are measured at fair value.

Measurement of the expected credit losses reflects:

- Time value of Money
- Reasonable and supportable information on past events, current conditions and forecasts of future economic conditions at the reporting date

The Parent Bank has changed its credit calculation method with the expected credit loss model as of 1 January 2018. Expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions and the time value of money. The financial assets is divided into three categories depending on the gradual 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 12-month expected credit losses.

Stage 2:

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. Following criterias have been taken into account in classification a financial asset as Stage 2:

- Loans having past due more than 30 days and less than 90 days
- Restructuring loans
- Concordatum events
- Significant deterioration in probability of default

In the case of the occurrence of any of the first three items above, it is classified under Stage 2 loans regardless of the comparison between probability of default.

Significant deterioration in probability of default is considered as significant increase in credit risk and the financial asset is classified under Stage 2 loans. In this regard, it is assumed that the probability of default deteriorates, if the probability of default exceeds the thresholds defined by the Bank's internal rating based credit rating models.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount.

VIII. Explanations on Impairment of Financial Assets (Continued)

Expected Credit Loss Calculation

Expected credit loss calculation refers to the calculation to estimate the loss of the financial instrument in case of default and it is based on 3-stage impairment model based on the change in credit quality. The Parent Bank uses two different calculations considering 12-month and lifetime probability of default of the financial instruments.

If there is a significant increase in credit risk between the origination date and the reporting date of the loan, the lifetime probability of default is used and if there is no significant increase in credit risk the 12-month probability of default is used.

There is mainly three loan portfolios as commercial portfolios, retail portfolios and sovereign portfolios.

While the Bank uses the internal credit ratings for commercial portfolios, the internal behavioral scores for the retail portfolios is used. It is determined whether there is any significant increase in credit risk by comparing the credit ratings/behavioral scores at the origination date and reporting date for both portfolios.

Default Definition: Debts having past due more than 90 days; in addition, the fact that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

The Bank does not have any financial asset as purchased or originated credit-impaired.

Probability of Default (PD): PD represents the likelihood of default over a specified time period. Based on the historical data, 1-year PD of a customer is calculated for each portfolio on the basis of credit ratings and behavioral scores. PDs and LGDs used in the ECL calculation are point in time ("PIT") based on key portfolios and consider both current conditions and expected cyclical changes. Two types of probability of default are calculated.

- 12-Month PD: as the estimated probability of default occurring within the next 12 months.

- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

Internal rating systems are used to measure the risk of both commercial and retail portfolios. The internal rating models used in the commercial portfolio include the customer's financial information and the answers to the qualitative question set. Behavioral score cards 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. The probability of default is calculated based on historical data, current conditions and forward-looking macroeconomic expectations.

Loss Given Default (LGD): If a loan defaults, it represents the economic loss incurred on the loan. It is expressed as a percentage.

The Bank calculates the recovery rates for each portfolio in a way that include the collateral types and several risk elements, and it is ensured that the time value of money is included into the calculation by discounting of these recoveries to the reporting date. The collaterals in the calculation are taken into account by considering the credit conversion factors. The collaterals included in "Communique on Credit Risk Mitigation Techniques" is taken into account with their rules in the communique. The remaining part is considered as unsecured portfolio and loss given default rate determined for this portfolio is applied.

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. The expected default amount is calculated by discounting the principal and interest repayments for cash loans and income accruals by effective interest method while it refers to the value calculated through using credit conversion factors for non-cash loans and commitments. It shows the risk of the borrower at the date of default.

Effective interest rate: the discount factor which reflects the time value of money.

VIII. Explanations on Impairment of Financial Assets (Continued)

Expected Credit Loss Calculation

Lifetime ECL is calculated by taking into account the period during which the Bank will be exposed to credit risk. The maturity information defined for all cash and non-cash loans is used in the calculation of the expected credit loss along with their maturity and payment plans. The maturity refers to the contractual life of a financial instruments unless there is the legal right to call it earlier. The maturity analysis and credit risk mitigation processes such as cancellation/revision of the limits have been developed for the definition of behavioural maturity for loans that do not have maturity information and revolving loans.

When expected credit losses are estimated, it is considered that three different macroeconomic scenarios as "Base", "Adverse" and "Favourable" and the weighted average of the results of this scenarios is taken into account. Forward-looking PDs based on the weighted average of these three scenarios are calculated on segment basis. The fundamental macroeconomic variable in the macroeconomic models is the estimated annual growth rate in gross national product The Bank periodically reviews the parameters included in the calculation and updates them when necessary.

Expected Credit Loss Calculation of Stage 1 Loans: It is calculated by considering 12-month (1 year) PDs for the financial assets measured at amortized cost, which do not reflect a significant increase in credit risk. Therefore, it is a part of the lifetime expected credit losses. Such expected 12- month PDs are applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

In the case of the current default rate is below a defined threshold without comparison with the origination date, the related loans are classified under Stage 1 loans by considering their credit qualities. Treasury Bills and CBRT balances are classified under Stage 1 loans. In addition, the institutions related to risk group of the Bank and other banks' placements are classified under Stage 1 loans.

Expected Credit Loss Calculation of Stage 2 Loans: It is calculated by considering lifetime PDs for the loans which has shown a significant increase in credit risk since origination. Such expected lifetime PDs are applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

In determining of the significant increase in credit risk, qualitative and quantitative assessments are performed.

Qualitative assessments:

The loans with a delay on repayment more than 30 days are classified under Stage 2 loans. In addition, the restructured loans are also classified under this stage.
The Bank periodically reviews the parameters included in the calculation and updates them when necessary.

Quantitative assessments:

"Significant increase in credit risk" is quantitatively based on the comparison the risk of default at the reporting date with the risk of default at the date of initial recognition. Where the change is above the defined threshold it is considered as significant increase in the credit risk, meaning that the credit is classified under Stage 2 loans.
In the case of the internal credit rating of the loan is above a defined threshold without comparison with the origination date, the related loans are classified under Stage 2 loans.

Expected Credit Loss Calculation of Stage 3 Loans: Lifetime expected credit losses are booked for the loans considered as impaired. When calculating the provisions by discounting the individual cash flow expectations for financial instruments which are above a defined threshold, loss given default rates are taken into account in case of default for financial instruments which are below the defined threshold

IX. Explanations on Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has legally enforceable rights to offset the recognized amounts and to collect/pay related financial assets and liabilities on a net basis, or there is an intention to realize the asset and settle the liability simultaneously.

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

Treasury bills and government bonds within the scope of repurchase agreements are classified in financial statements as financial assets carried at amortized costs, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income according to the classification of marketable securities subject to repurchase agreement, and are valued according to the measurement rules of the relevant category. Funds obtained through repurchase agreements are booked in a separate liability account, namely "Founds provided under repurchase agreements" under "Money market balances". Income and expenses arisen from these transactions are booked in "Interest Income on Marketable Securities Portfolio" and "Interest Expense on Money Market Borrowings" in income statement.

Securities purchased under repurchase agreements ("Reverse repos") are accounted under "Money Market Placements" in the balance sheet. The difference between the purchase and resell price of the repurchase agreements is accrued over the life of repurchase agreements. As of 30 June 2019, the Group has TL 1,062,174 reverse repo transaction. (31 December 2018: TL 281,696).

As of 30 June 2019, the Bank does not have any marketable securities lending transaction (31 December 2018: None).

XI. Explanations on Assets Held for Sale, Discontinued Operations and Liabilities Related to Those Assets

Non-current assets held for sale consists of property, plant and equipment acquired for impairment and accounted in financial statements convenient with "TFRS 5 Assets Held for Sale and Discontinued Operations".

As of 30 June 2019, assets held for sale and discontinued operations of the Group are TL 119,351 (31 December 2018: TL 109,104). As per the appraisals performed for the real estates held for sale included "Assets Held for Sale" in the financial statements, TL 9,887 (31 December 2018: TL 6,131) has been reserved as provision for impairment losses.

As of 30 June 2019 the Group has no discontinued operations.

XII. Explanations on Goodwill and Other Intangible Assets

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In the merger transaction where acquirer and acquiree exchange equity instruments, it is taken into account the fair value of equity shares exchanged and the difference between such amount and fair value of the acquiree's identifiable net asset value is accounted as goodwill. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period shall not exceed one year from the acquisition date.

As explained in footnote 1 of Section 1, under the Banking Regulation and Supervision Agency decision dated 10 February 2011 and the release of decision in Official Newspaper 12 February 2011 dated and numbered as 27844, all rights, receivables, assets and liabilities of Fortis Bank A.Ş. would be transferred to the Bank as stated in Istanbul Commerce Trade dated 14 February 2011.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

XII. Explanations on Goodwill and Other Intangible Assets (Continued)

Within the framework of TFRS 3 "Business Combination", identifiable assets and liabilities acquired at the merger date are measured at their acquisition date fair value. In this context, the Parent Bank has measured the identifiable assets acquired and the identifiable liabilities acquired in the date of the merger of Fortis Bank A.Ş. at fair value and presented in the financial statements as related items. The resulting difference of TL 48,783 is shown in related assets and liability section, the equity impact is shown under other shareholder's equity section. The amount of TL 421,124, which is the difference between TL 2,385,482 which is the fair value of transferred amount and TL 1,964,358 which is the identifiable net asset value is accounted as goodwill in the financial statements of the Bank and the equity impact is shown under other shareholder's equity section.

Goodwill arising on an acquisition of a business or a merger is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Parent Bank's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets are accounted for at restated cost until 31 December 2004 in accordance with inflation accounting and are amortized with straight-line method, after 31 December 2004 the acquisition cost and any other cost incurred so as to prepare the intangible asset ready for use less reserve for impairment, if any, and are amortized on a straight-line method. The cost of assets subject to amortization is restated after deducting the exchange differences, capitalized financial expenses and revaluation increases, if any, from the cost of the assets.

The other intangible assets of the Group comprise mainly software. The useful lives of such assets acquired are determined as 3-5 years by taking into consideration the expected utilization period, technical, technological or any other impairment and maintenance expenses necessary for the economic use of such assets. Software's used are mainly developed within the Parent Bank by the Parent Bank's personnel and the related expenses are not capitalized.

There are no anticipated changes in the accounting estimates about the amortization rate and amortization method and residual values that would have a significant impact in the current and future periods.

XIII. Explanations on Tangible Fixed Assets

Tangible assets of the Group are accounted for at their restated cost until 31 December 2004 and afterwards, the acquisition cost and any other cost incurred to prepare the asset ready for use are reflected, less reserve for impairment, if any.

Depreciation rates are defined according to the economic life of the relevant assets.

Depreciation is calculated using the straight line method, without taking residual values in to consideration, over the estimated useful lives expressed in number of months. The calculation of depreciation is based on the number of months that the asset is used. No amendment has been made to the depreciation method in the current period. The economic useful lives of the tangible fixed assets are as follows:

Buildings	50 years
Motor Vehicles	5 years
Furniture, Fixtures and Office Equipment and Others	5-15 years

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of the related asset. Other maintenance costs are expensed. Leasehold improvements amount are subject to depreciation during leasing period. This period is taken into consideration maximum five years. For the branches, this period is considered as three years in parallel with the Bank's business plans.

The Parent Bank employs independent appraisers in determining the current fair values of its real estate's when there is any indication of impairment in value of real estates.

XIV. Explanations on Leasing Transactions

Fixed assets obtained through financial leasing are recorded at the lower amount between the fair value and the present value of lease payments in accordance with Turkish Accounting Standard Leases (TAS 17). Fixed assets obtained through financial leasing are classified in tangible assets and the amortization is based on their useful life. In case of any indication of impairment, an "impairment provision" is provided for. Obligations for future lease payments are booked in "Financial Lease Payables" account under liabilities. Interest and currency expenses regarding financial leases are recorded in the related period in the income statement.
With the "TFRS 16 Leases" standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease has been removed and the lease transactions are started to be recognised under "Tangible Assets" as an asset (tenure) and under "Lease Liabilities" as a liability. Effects and application of TFRS 16 concerning the transition were explained in Section three, footnote XXVI.

XV. Explanations on Provisions and Contingent Liabilities

Provisions are provided for liabilities of uncertain timing or amount arising from past events have the probability to result in an expense or loss in the future and when it can be measured reliably.
Provisions are determined by using the Group's best expectation of expenses in fulfilling the obligation as of the balance sheet date, and discounted to present value if material. Provisions and contingent liabilities, excluding specific and general provisions for loans and other receivables, are recognized in accordance with the Turkish Accounting Standards ("TAS 37") regarding "Provisions, Contingent Liabilities and Contingent Assets".

XVI. Explanations on Contingent Assets

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed in the financial statements' notes where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

XVII. Explanations on Liabilities Regarding Employee Benefits

In accordance with existing social legislation in Turkey, the Parent Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Parent Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS 19 "Employee Benefits".

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method.

Employees transferred to the Parent Bank following the business combination defined in "General Information" of the Parent Bank and Fortis Bank A.Ş. are the members of "Türk Dış Ticaret Bankası Mensupları Emekli Sandığı" (the "Pension Fund") which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No. 506. Technical financial statements of the Pension Fund are reviewed by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the "Actuary Regulations" issued based on the same article. As of 30 June 2019, the Pension Fund has 1,597 employees and 1,126 pensioners (31 December 2018: 1,686 employees and 1,095 pensioners).

Provisional Article 23 (1) of Banking Law No: 5411 (the "Banking Law") published in the Official Gazette repeated no: 25983 on 1 November 2005 requires the transfer of bank funds to the Social Security Institution (the "SSI") within 3 years after the effective date of the Banking Law and the related paragraph also sets out the basis for the related transfer. However, Article 23 (1) of Banking Law No: 5411 was annulled based on the Constitutional Court's ruling issued on 22 March 2007 and ruled for the stay of execution as of 31 March 2007. The related Court ruling and its basis were published in the Official Gazette No: 26731 on 15 December 2007.

XVII. Explanations on Liabilities Regarding Employee Benefits (Continued)

Following the publication of the said decree of the Constitutional Court, the Turkish Grand National Assembly (the "TGNA") initiated its studies on the development of new regulations in regards to the transfer of bank pension participations to the SSI and the related articles of the Social Security Law that are set out to determine the basis of fund transfers and new regulations became effective with its publication in the Official Gazette No: 26870 on 8 May 2008 and the completion of the transfer within 3 years starting from 1 January 2008. Upon the Council of Ministers' resolution issued in the Official Gazette, the transfer period has been extended for 2 years as of 14 March 2011. According to amendment on the social security and general health insurance law published in the Official Gazette dated 8 March 2012 numbered 6283, mentioned 2-year transfer period has been increased to 4 years. Upon the Council of Ministers' resolution dated 24 February 2014 issued in the Official Gazette No:28987 on 30 April 2014, mentioned transfer period has been extended for one more year while it has been extended for one year upon the Council of Ministers' resolution dated 8 April 2013 issued in the Official Gazette No:28636 on 3 May 2013. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 numbered 29335. According to paragraph (I) of Article 203 of Law no. 703 which published on the Official Gazette no. 30473 dated 9 July 2018, the phrase, placed in 20th provisional article of Social Insurance and General Health Insurance Law no.5510, "Council of Ministers" is authorized to determine the date of transfer to the Social Security Institution has been replaced with "president".

The technical financial statements of the Pension Fund are prepared by an independent actuary company considering related regulation and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2018. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Since the Parent Bank management anticipates that any potential liability that may be incurred during or after the transfer within the above-mentioned limits will be likely recoverable, they believe such liabilities will not bring any additional liability to the Parent Bank.

XVIII. Explanations on Taxation

Corporate tax

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20% in Turkey. However, the corporate income tax rate will be applied as 22% for the years 2018, 2019 and 2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2017.
The tax legislation requires advance tax to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset from the final tax liability for the year. On the other hand, corporate tax and any related taxes paid to foreign tax offices for the income obtained from foreign branches are offset against the corporate tax levied in Turkey.

A 50% portion of the gains derived from the sale of immovables which have been acquired due to loans under follow-up from the Bank and 75% portion of participation shares, founder's shares, dividend shares and pre-emption rights is tax exempt (This rate is applied as 75% for immovable sales before 5 December 2017). A 75% portion of the capital gains derived from the sale of equity investments and 50% portion of the immovable properties held for at least two years (This rate is applied as 75% for immovable sales before 5 December 2017) are exempt from corporate taxation, providing that such gains are added to paid-in capital or held in a special fund account under liability for five years.

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one instalment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

XVIII. Explanations on Taxation (Continued)

Deferred Tax Liability/Asset

The Group calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

The deferred tax is calculated using the enacted tax rates that are valid as of the balance sheet date in accordance with the tax legislation in force. According to the Law, which was approved in the Grand National Assembly on 28 November 2017 and published in the Official Gazette dated 5 December 2017, the rate of Corporate Tax for the years 2018, 2019 and 2020 was increased from 20% to 22%. Therefore, deferred tax assets and liabilities are measured at the tax rate of 22% that are expected to apply to these periods when the assets is realised or the liability is settled, based on the Law that have been enacted. For the periods 2021 and after, the reversals of temporary differences are measured by 20%.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized

Deferred tax asset is calculated over temporary differences arisen from expected credit loss provision in line with TFRS 9 principles from 1 January 2018.

Deferred tax income balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

XIX. Additional Explanations on Borrowings

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.
All other borrowing costs are recorded to the income statement in the period they are incurred.

XX. Explanations on Issued Equity Securities

There is no share issued in the year 2019.

XXI. Explanations on Bill Guarantees and Acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.

XXII. Explanations on Government Incentives

There is no government incentive utilized by the Group.

XXIII. Explanations on Reporting According to Segmentation

The operating segments of the Parent Bank include retail and private banking, SME banking, corporate banking, treasury and asset-liability management.

Retail and private banking lines of the Parent Bank provide consumer loans, personal financing, housing, workplace and vehicle loans for customer needs related to general consumption, purchase of durable goods, and real estate. The Parent Bank also provides account products like "Marifetli", "Fırsat" and "CEPTETEB" along with the standard time deposit products to enable advantageous savings in different currencies and maturities. In regards to investment needs for customers, retail and private banking offers brokerage services for treasury bill transactions, government bonds, Eurobonds, foreign exchange purchases/sales, a wide-range of investment funds, private pension funds and equity securities transactions. It also provides practical account, credit deposit account, automatic bill/regular payment options, safe-deposit boxes and insurance services beside credit and debit cards offering advantages in shopping and banking transactions. These products and services are provided to customers through widespread physical branches and ATM network and also via a 24/7 call center, internet and mobile banking.

Corporate banking provides financial solutions and banking services to large-scale local firms, holdings and their group companies, and multinational companies operating in Turkey. In addition to the bank deposit services provided to corporate customers, corporate banking also develops tailored solutions and products for standard cash and non-cash loans, investment loans, cash management services in line with customer needs and demands and foreign trade financing. Foreign exchange purchase and sale transactions, corporate financing services, derivative products and solutions to manage foreign exchange and interest rate risk and commodity financing are other services provided by the Parent Bank. The Bank provides these services and products for its corporate customers via teams, located in its corporate branches and Head Office, who are specialized in foreign trade, cash management, structured finance and multinational companies. It also benefits from the global business network and expertise of BNP Paribas Group.

SME banking provides small and medium-sized enterprises with financial solutions and exclusive services for non-financial matters. The Parent Bank, which specifically designed its services for different segments in the field of SME Banking, has developed solutions that are tailored to the needs of these segments. In addition to solutions developed for small and medium-sized enterprises, solutions were developed for agricultural producers, jewelers, female leaders and entrepreneurship segments and for SME banking, enterprise banking, agriculture banking, gold banking, women's banking and entrepreneurship banking. These solutions are provided on a larger scale based on the types of financial problems encountered by customers, and they are supported in non-financial matters via offering access to information, training and networks. At this point, the Parent Bank does not only provide financial support to the SMEs but also provides the training and expertise they need to grow their business, strengthen their competitiveness and use their financing properly.

When determining the short, medium and long-term pricing strategy, Asset-Liability Management and the Treasury Group also manage the maturity mismatch, by adopting a principle foreseeing to work with a positive balance sheet margin. Spot and forward TL and foreign exchange purchase-sale transactions, treasury bill, government bond, and Eurobond purchase-sale transactions, and derivative product purchase/sale transactions are carried out under defined authorizations. The Parent Bank also carries out activities related to providing medium and long-term funding, enabling funding at a price below the price reflecting the country risk price, diversifying funding resources, and creating an international investor base in this field.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

XXIII. Explanations on Reporting According to Segmentation (continued)

The Financial Markets Group provides structured financial solutions to hedge foreign exchange/interest rate risks of customers and provides the most appropriate price for the market instruments offered to customers by monitoring market conditions.

The details of the income statement and the balance sheet which the Bank operates as a business lane:

Current Period	Retail	Corporate	SME	Other	Elimination	Total
Dividend Income	-	-	-	19,201	(18,176)	1,025
Profit Before Tax	268,722	525,006	(43,411)	99,905	(18,699)	831,523
Tax Provision (-)	-	-	-	184,656	-	184,656
Net Profit for the Period	**268,722**	**525,006**	**(43,411)**	**(84,751)**	**(18,699)**	**646,867**

Current Period	Retail	Corporate	SME	Other	Elimination	Total
Segment Assets	22,170,141	23,386,386	19,929,421	37,848,588	(90,172)	103,244,364
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	124,376	(124,371)	5
Total Assets	**22,170,141**	**23,386,386**	**19,929,421**	**37,972,964**	**(214,543)**	**103,244,369**
Segment Liabilities	48,306,479	12,498,898	6,413,880	26,186,041	(90,603)	93,314,695
Shareholders' Equity	-	-	-	10,053,614	(123,940)	9,929,674
Total Liabilities	**48,306,479**	**12,498,898**	**6,413,880**	**36,239,655**	**(214,543)**	**103,244,369**

Prior Period (30.06.2018)	Retail	Corporate	SME	Other	Elimination	Total
Dividend Income	-	-	-	18,089	(17,940)	149
Profit before Tax	135,547	316,919	436,014	79,137	(17,940)	949,677
Tax Provision (-)	-	-	-	209,796	-	209,796
Net Profit For The Period	**135,547**	**316,919**	**436,014**	**(130,659)**	**(17,940)**	**739,881**

Prior Period (31.12.2018)	Retail	Corporate	SME	Other	Elimination	Total
Segment Assets	12,641,490	22,276,779	25,057,150	38,839,771	(155,819)	98,659,371
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	124,429	(124,424)	5
Total Assets	**12,641,490**	**22,276,779**	**25,057,150**	**38,964,200**	**(280,243)**	**98,659,376**
Segment Liabilities	41,287,107	14,038,372	10,080,246	23,537,275	(156,251)	88,786,749
Shareholders' Equity	-	-	-	9,996,619	(123,992)	9,872,627
Total Liabilities	41,287,107	14,038,372	10,080,246	**33,533,894**	**(280,243)**	**98,659,376**

XXIV. Explanations on Other Matters

It has been resolved in the Ordinary General Assembly dated 27 March 2019 of the Parent Bank, TL 1,001,703 that constitutes the 2018 net balance sheet profit shall be transferred to the Extraordinary Reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL 50,085 as Legal Reserves, TL 0.82 (full TL) as profit distributed to the holders of the founder jouissance certificates.

XXV. Reclassifications

In accordance with the Communiqué on the Amendment to the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks published on the Official Gazette dated 1 February 2019 and numbered 30673, prior period financial statements have been adjusted to the current period financial statements.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

XXVI. Explanations on TFRS 16 Leasing Standards

Explanations on TFRS 16 Leasing Standards

TFRS 16 Leases was published in the Official Gazette dated 16 April 2018 and numbered 30393, effective from 1 January 2019. This Standard specifies the principles for the leasing, presentation and disclosure of leases. The purpose of the standard is to provide tenants and lessees with appropriate information and faithful representation. This information is the basis for evaluating the impact of the leases on the entity's financial position, financial performance and cash flows by users of financial statements. The Group has started to apply the related standard for the first time on 1 January 2019 by reflecting the application effects to the equity accounts.

Transferring, measuring and presenting the leases to the financial statements

Lease obligations under the contract in the amount of liabilities on the balance sheet equal to the sum of all cash payments and offset with the form shown gross interest expense arising from the contract. The right of use arising from the leasing transactions, at the date of commencement, the present value of the lease payments which have not been paid at that date is measured and measured. In this measurement, if the interest can be easily determined, the implied interest rate in the lease is used. If this ratio is not easily determined, the Parent Bank's alternative borrowing interest rate announced by the Asset and Liability Management Department is used.

The Group applies this standard with modified retrospective approach recognizing the cumulative effect of initially applying the standard at the date of initial application and reflected it as a correction in the opening balance of Other Capital Reserves With this method, all right to use assets are measured from the amount of the lease payables in the transition to the application. Equity effect of the mentioned transition amounting to TL 120,434 is classified under "Other Capital Reserves" in shareholders' equity as of 30 June 2019. In this context, deferred tax asset amounting to TL 24,087 is reflected to the financial statements of 30 June 2019 and this amount has been classified under "Other Capital Reserves" in shareholders' equity.

During the first implementation, the Group recognised lease liability concerning the lease which were previously recognised as operational leasing as per TAS 17. These liabilities were measured based on the discounted current value by using the alternative borrowing rate of interest of remaining lease payments on 1 January 2019.

Right and liability to use the asset pertaining to the lease, which were previously classified as financial leasing, were measured based on the carrying amount of the said assets before the transition

Details based on the asset with regard to the recognised right of use is as follows:

	1 January 2019	30 June 2019
Real Estate	877,686	956,788
Vehicles	46,489	45,892
Total Right of Use	**924,175**	**1,002,680**

Details of depreciation expense based on the asset with regard to the recognised asset tenure is as follows:

	1 January 2019	30 June 2019
Real Estate	367,720	427,731
Vehicles	15,910	21,998
Total Right of Use Depreciation Expense	**383,630**	**449,729**

Information on the leasing liability is presented as below:

	1 January 2019	30 June 2019
Lease Liability	660,979	672,135

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. Explanations Related to Components of Consolidated Shareholders' 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 30 June 2019, Group's total capital has been calculated as TL13,914,911 (31 December 2018: TL 12,854,950) and Capital Adequacy Ratio is 16.42% (31 December 2018: 16.70%). This ratio is well above the minimum ratio required by the legislation.

The credit risk of banking accounts has been calculated by using the "Standard Approach", the market risk of purchase and sale accounts by using the "Standard Method", counterparty credit risk of derivative and repo transactions by using the "Fair Value Method", credit valuation adjustments of over the counter derivative transactions by using the "Standard Model" and operational risk by using the "Basic Indicator Approach".

Information related to the components of Consolidated Shareholders' Equity:

Common Equity Tier 1 Capital	**Current Period 30.06.2019**	**Amount related treatment before 01.01.2014(*)**
Common Equity Tier 1 Capital	2,404,652	
Paid-in Capital to be Entitled for Compensation after All Creditors	2,565	
Share Premium	7,473,880	
Reserves	-	
Gains Recognized in Equity as per TAS	655,423	
Profit	645,926	
Current Period Profit	9,497	
Prior Period Profit	527	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	270	406
Minority interest	**10,537,317**	
Common Equity Tier 1 Capital Before Deductions		
Deductions from Common Equity Tier 1 Capital	-	
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank	64,259	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	40,754	
Leasehold Improvements on Operational Leases	421,124	421,124
Goodwill netted off deferred tax liability	84,874	84,874
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	-	
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 value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56 4th paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	**611,011**	
Total Deductions from common equity Tier 1 Capital	**9,926,306**	

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations Related to Components of Consolidated Shareholders' (continued)

Information related to the Components of Shareholders' Equity: (continued)

	Current Period 30.06.2019	Amount related to treatment before 01.01.2014(*)
ADDITIONAL TIER 1 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 1 Capital	58	
Third Parties Share in the Additional Tier 1 Capital (in the scope of Temporary Article 3)	58	
Additional Tier 1 Capital before deductions	**58**	
Deductions from Additional Tier 1 Capital		
Bank's direct or indirect investment on its own Tier 1 Capital	-	
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier I Capital which are compatible with the article 7 of the regulation	-	
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 Common Equity Tier 1 Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	
Items to be deducted from Tier I Capital during the Transition Period	-	
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 Bank Capital (-)	-	-
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 Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
Total Deductions from Additional Tier 1 Capital	-	
Total Additional Tier 1 Capital	**58**	
Total Tier 1 Capital (Tier 1 Capital=Common Equity + Additional Tier 1 Capital)	**9,926,364**	
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	3,065,736	
Bank's borrowing instruments and related issuance premium (in the scope of temporary Article 4)	-	
Third parties' share in the Tier 2 Capital	77	
Third parties' share in the Tier 2 Capital (in the scope of Temporary Article 3)	77	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	933,101	
Tier 2 Capital Before Deductions	**3,998,914**	
Deductions From Tier 2 Capital		
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation	-	
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 Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital (-)	-	
Other Items Determined by BRSA (-)	-	
Total Deductions From Tier 2 Capital	-	
Total Tier 2 Capital	**3,998,914**	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	**13,925,278**	

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations Related to Components of Consolidated Shareholders' (continued)

Information related to the Components of Shareholders' Equity: (continued)

	Current Period 30.06.2019	Amount related to treatment before 01.01.2014(*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Equity)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	2,562	
Net Book Value of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years	-	
Other items to be defined by the BRSA	7,805	
Items to be deducted from the sum of Tier I and Tier II Capital ("Capital") during the Transition Period		
Portion of the total of net long positions of investments made in Common 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 not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks.	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital 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 not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks.	-	
Portion of the total of net long positions of investments made 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, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
TOTAL CAPITAL		
Total Capital	13,914,911	
Total Risk Weighted Assets	84,739,741	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	11.71	
Tier 1 Capital Adequacy Ratio (%)	11.71	
Capital Adequacy Ratio (%)	16.42	
BUFFERS	2.50	
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c) (%)	2.50	
a) Capital conservation buffer requirement (%)	-	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemic significant bank buffer ratio (%)	3.21	
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 arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	111,124	
Amounts arising from the net long positions of investments made in Tier I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	523,238	
Limits related to provisions considered in Tier II Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,434,760	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used (**)	933,101	
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 1 January 2018 and 1 January 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	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	
The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9	265,721	

(*) Amounts in this column represents the amounts of items that are subject to phasing and taken into consideration at the end of transition process.
(**) The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9 has been deducted.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. Explanations Related to Components of Consolidated Shareholders’ Equity (continued)

Information related to the Components of Shareholders' Equity: (continued)

Common Equity Tier 1 Capital	**Prior Period 31.12.2018**	**Amount related to treatment before 01.01.2004(*)**
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	6,601,021	
Gains Recognized in Equity as per TAS	-	
Profit	1,062,214	
Current Period Profit	1,052,717	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	527	
Minority interest	209	314
Common Equity Tier 1 Capital Before Deductions	**10,071,188**	
Deductions from Common Equity Tier 1 Capital	-	
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	139,731	
Leasehold Improvements on Operational Leases	49,477	
Goodwill netted off deferred tax liability	421,124	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	102,530	102,530
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 value of Bank’s liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56 4th paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by 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	**712,862**	
Total Common Equity Tier 1 Capital	**9,358,326**	

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations Related to Components of Consolidated Shareholders' Equity (continued)

Information related to the Components of Shareholders' Equity: (continued)

	Prior Period 31.12.2018	Amount related to treatment before 01.01.2014(*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premium approved by BRSA(Temporary Article 4)	-	
Third parties' share in the Additional Tier 1 capital	45	
Third parties' share in the Additional Tier 1 capital (Temporary Article 3)	45	
Additional Tier 1 Capital before deductions	**45**	
Deductions from Additional Tier 1 Capital		
Bank's direct or indirect investment on its own Tier 1 Capital	-	
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier I Capital which are compatible with the article 7 of the regulation	-	
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 Common Equity Tier 1 Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	
Items to be deducted from Tier I Capital during the Transition Period	-	
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 Bank Capital (-)	-	-
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 Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
Total Deductions from Additional Tier 1 Capital	-	
Total Additional Tier 1 Capital	**45**	
Total Tier 1 Capital (Tier 1 Capital=Common Equity + Additional Tier 1 Capital)	**9,358,371**	
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	2,465,663	
Bank's borrowing instruments and related issuance premium (in the scope of temporary Article 4)	316,403	
Third parties' share in the Tier 2 Capital	60	
Third parties' share in the Tier 2 Capital (in the scope of Temporary Article 3)	60	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	868,480	
Tier 2 Capital Before Deductions	**3,650,606**	
Deductions From Tier 2 Capital	-	
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation	-	
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 Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital (-)	-	
Other Items Determined by BRSA (-)	-	
Total Deductions From Tier 2 Capital	-	
Total Tier 2 Capital	**3,650,606**	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	**13,008,977**	

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations Related to Components of Consolidated Shareholders' Equity (continued)

Information related to the Components of Shareholders' Equity: (continued)

	Prior Period 31.12.2018	Amount related to treatment before 01.01.2014 (*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Equity)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	12,375	
Net Book Value of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years	-	
Other items to be defined by the BRSA	1	
Items to be deducted from the sum of Tier I and Tier II Capital ("Capital") during the Transition Period		
Portion of the total of net long positions of investments made in Common 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 not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks.	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital 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 not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks.	-	
Portion of the total of net long positions of investments made 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, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
TOTAL CAPITAL		
Total Capital	12,996,601	
Total Risk Weighted Assets	77,833,576	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	12.02	
Tier 1 Capital Adequacy Ratio (%)	12.02	
Capital Adequacy Ratio (%)	16.70	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c) (%)	1.88	
a) Capital conservation buffer requirement (%)	1.88	
b) Bank specific counter-cyclical buffer requirement (%)	-	
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	4.14	
Amounts below the Excess Limits as per the Deduction Principles		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Group owns 10% or less of the issued common share capital	88,526	
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Group owns 10% or more of the issued common share capital		
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	208,699	
Limits related to provisions considered in Tier 2 Calculation	-	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,358,020	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used(**)	868,480	
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 1 January 2018 and 1 January 2022)	-	
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	
The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9	354,295	

(*) Amounts in this column represents the amounts of items that are subject to phasing and taken into consideration at the end of transition process.
(**) The positive difference between the total provision amount and the expected credit loss provisions under TFRS 9 before the implementation of TFRS 9 is deducted.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations Related to Components of Consolidated Shareholders' Equity (continued)

Information related to the Components of Shareholders' Equity: (continued)

	T	T-1	T-2	T-3	T-4
CAPITAL ITEMS					
Common Equity Tier 1 Capital	9,926,306	9,519,181	9,358,326	9,377,870	9,018,738
Common Equity Tier 1 Capital where the transition impact of TFRS 9 has not been applied (a)	9,660,585	9,253,460	9,004,031	9,023,575	8,741,791
Tier 1 Capital	9,926,364	9,519,229	9,358,371	9,377,906	9,018,773
Tier 1 Capital where the transition impact of TFRS 9 has not been applied (b)	9,660,643	9,253,508	9,004,076	9,023,611	8,741,826
Capital	13,914,911	13,285,848	12,996,601	13,346,987	12,046,430
Capital where the transition impact of TFRS 9 has not been applied (c)	13,649,190	13,020,127	12,642,306	12,992,692	12,046,430
TOTAL RISK WEIGHTED ASSETS					
Total Risk Weighted Assets	84,739,741	85,648,245	77,833,576	81,562,442	81,309,037
CAPITAL ADEQUENCY RATIOS					
Common Equity Tier 1 Capital Adequacy Ratio (%)	11.71	11.11	12.02	11.50	11.09
Common Equity Tier 1 Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (d)	11.40	10.80	11.57	11.06	10.75
Tier 1 Capital Adequacy Ratio (%)	11.71	11.11	12.02	11.50	11.09
Tier 1 Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (d)	11.40	10.80	11.57	11.06	10.75
Capital Adequacy Ratio (%)	16.42	15.51	16.70	16.36	14.82
Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (d)	16.11	15.20	16.24	15.93	14.82
LEVERAGE RATIO					
Leverage Ratio Total Risk Amount	152,241,384	151,922,800	137,491,434	161,824,242	146,738,608
Leverage Ratio	6.52	6.27	6.81	5.60	6.15
FTA not Applied Leverage Ratio (e)	6.35	6.09	6.55	5.38	5.96

Basic information for the TFRS 9 transition process

a: Common equity tier 1 capital if temporary article 5 of the Regulation on equities of banks has not applied.
b: Tier 1 capital if temporary article 5 of the Regulation on equities of banks has not applied.
c: Total capital if temporary article 5 of the Regulation on equities of banks has not applied.
d: Capital adequacy ratios calculated with capital items if temporary article 5 of the Regulation on banks has not applied.
e: The leverage ratio calculated with capital items if temporary article 5 of the Regulation on banks has not applied.

Explanations on Reconciliation of Capital Items to Balance Sheet:

Total Capital per Balance Sheet	**9,929,674**
Hedging Funds (effective portion)	298,378
Deductions Made Under Regulation	(567,467)
Transition Impact of TFRS 9 (Temporary 5th Article)	265,721
Common Equity Tier 1 Capital	**9,926,306**
Additional Tier 1 Capital	58
Tier 1 Capital	**9,926,364**
General Provisions	933,101
Bank's Borrowing Instruments	3,065,736
Deductions Made Under Regulation	(10,367)
Share of Third Parties in Capital	77
Total Equity	**13,914,911**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations Related to Components of Consolidated Shareholders' Equity (continued)

Information related to debt instruments included in equity calculation:

All of the debt securities included in the equity calculation are issued by the Parent Bank.

Issuer	**TEB**	**TEB**	**TEB**	**TEB**
Unique identifier (e.g. CUSIP, ISIN)	XS1895575071	XS0808626013	XS1973559484	XS1845118865
Governing law(s) of the instrument	Turkey	Turkey	Turkey	Turkey
Regulatory treatment				
Subject to 10% deduction as of 1/1/2015	No	No	Yes	No
Eligible at solo/group/group and solo	Available	Available	Available	Available
Instrument type	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument
Amount recognized in regulatory capital (TL Currency in mil, as of most recent reporting date)	1,204.7	653	391.8	816.3
Par value of instrument(TL Currency in mil)	1,204.7	653	391.8	816.3
Accounting classification	34701100	34701100	34701100	34701100
Original date of issuance	05.11.2018	20.07.2012	14.05.2019	27.06.2018
Perpetual or dated	Time	Time	Time	Time
Original maturity date	05.11.2028	20.07.2024	14.05.2029	27.06.2028
Issuer call subject to prior supervisory approval	Available	Available	Available	Available
Optional call date, contingent call dates and redemption amount	05.11.2023	20.07.2019	14.05.2029	27.06.2023
Subsequent call dates, if applicable	-	-	-	-
Coupons/dividends				
Fixed or floating dividend/coupon	Stable	Floating	Floating	Floating
Coupon rate and any related index	10.40%	Euribor+4.75%	Euribor+7.10%	Euribor+5.10%
Existence of a dividend stopper	None	None	None	None
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	None	None	None	None
Noncumulative or cumulative	None	None	None	None
Convertible or non-convertible				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature				
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deposit and other receivables	Deposit and other receivables	Deposit and other receivables	Deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess	Possess	Possess	Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed (*)	-	-	-	-

(*) Under article 8/2 in subsection (ğ) mechanism of write-down or conversion to common shares are stated.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations Related to the Consolidated Currency Risk

Foreign currency risk indicates the probability of loss that the Group is subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Group are taken into consideration and risk is calculated by using the standard method.

The Board of Directors of the Parent Bank sets limits for the positions, which are followed up daily. Any possible changes in the foreign currency transactions in the Parent Bank’s positions are also monitored.

As an element of the Group’s risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

Asset Liability Management and Treasury Department of the Parent Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets within the limits set by the Board of Directors. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Parent Bank’s Asset-Liability Committee on a weekly basis.

As of 30 June 2019, the Group’s balance sheet short position is TL 10,470,337 (31 December 2018: TL 9,629,296 short position) off-balance sheet long position is TL 10,696,018 (31 December 2018: TL 10,030,362 long position) and as a result net foreign currency long position is TL 225,681 (31 December 2018: net TL 401,066 long position).

The announced current foreign exchange buying rates of the Parent Bank at 30 June 2019 and the previous five working days in full TL are as follows:

	24.06.2019	**25.06.2019**	**26.06.2019**	**27.06.2019**	**28.06.2019**	**30.06.2019**
USD	5.7899	5.7426	5.7441	5.7376	5.7366	5.7366
JPY	0.0539	0.0537	0.0534	0.0532	0.0532	0.0532
EURO	6.5895	6.5402	6.5247	6.5225	6.5300	6.5300

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 30 June 2019 are as follows:

	Monthly Average Foreign Exchange Rate
USD	5.7955
JPY	0.0536
EURO	6.5345

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

II. Explanations Related to the Consolidated Currency Risk (continued)

Information on the foreign currency risk of the Group:

The table below shows the Group's distribution of balance sheet and derivative foreign exchange transactions taking into account the options transactions with nominal values as indicated in the BRSA regulation on foreign currency position. Besides taking into account this position by monitoring legal limits, the Group also monitors the delta-adjusted position of the option transactions. As of 30 June 2018, the Parent Bank has net USD short position TL 76,899 and net EUR long position TL 68,318.

Current Period	**EURO**	**USD**	**Other FC**	**Total**
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey[1]	8,083,789	4,250,020	1,688,626	14,022,435
Banks [2]	1,083,149	1,204,016	1,188,376	3,475,541
Financial Assets at Fair Value Through Profit or Loss	515,203	192,309	-	707,512
Money Market Placements	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	463,216	608,384	18,070	1,089,670
Loans [3]	10,039,159	3,045,737	1,706,597	14,791,493
Subsidiaries, Associates and Entities Under Common Control	-	-	-	-
Held-to-Maturity Investments[4]	465,436	507,602	-	973,038
Derivative Financial Assets for Hedging Purposes[5]	268	-	-	268
Tangible Assets	665	-	-	665
Intangible Assets	-	-	-	-
Other Assets [6]	1,746,472	142,357	149,811	2,038,640
Total Assets	**22,397,357**	**9,950,425**	**4,751,480**	**37,099,262**
Liabilities				
Bank Deposits	898	-	5	903
Foreign Currency Deposits [7]	10,716,216	18,741,966	2,690,611	32,148,793
Money Market Borrowings	325,919	-	-	325,919
Funds Provided From Other Financial Institutions	8,313,993	4,079,294	1,886,758	14,280,045
Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Derivative Financial Liabilities for Hedging Purposes	10,171	-	-	10,171
Other Liabilities [8]	376,773	240,402	186,593	803,768
Total Liabilities	**19,743,970**	**23,061,662**	**4,763,967**	**47,569,599**
Net Balance Sheet Position	**2,653,387**	**(13,111,237)**	**(12,487)**	**(10,470,337)**
Net Off-Balance Sheet Position	**(2,976,381)**	**13,650,024**	**22,375**	**10,696,018**
Financial Derivative Assets[9]	13,175,738	29,796,253	1,337,363	44,309,354
Financial Derivative Liabilities[9]	16,152,119	16,146,229	1,314,988	33,613,336
Non-Cash Loans [10]	7,640,234	6,150,539	928,718	14,719,491
Prior Period				
Total Assets	19,365,475	10,599,254	3,603,854	33,568,583
Total Liabilities	15,800,694	23,811,508	3,585,677	43,197,879
Net Balance Sheet Position	3,564,781	(13,212,254)	18,177	(9,629,296)
Net Off-Balance Sheet Position	(3,972,285)	14,029,951	(27,304)	10,030,362
Financial Derivative Assets [9]	9,532,528	27,103,160	892,119	37,527,807
Financial Derivative Liabilities [9]	13,504,813	13,073,209	919,423	27,497,445
Non-Cash Loans [10]	6,531,063	5,941,120	896,004	13,368,187

(1) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey includes the balances of expected credit losses amounting to TL 2,743.

(2) The banks include TL 5,863 of expected credit loss provisions.

(3) Foreign currency indexed loans amounting to TL 739,717 (31 December 2018: TL1,337,691) are included in the loan portfolio. As of 31 December 2018, TL 946 (30 June 2019: none) foreign currency indexed factoring receivables are added in loans. Also, it includes TL368,412 amounting to expected credit loss.

(4) Financial assets at amortized cost includes expected credit loss amounting to TL 219.

(5) TL 13,261 (31 December 2018: None) income accruals from derivative financial instruments is deducted from derivative financial assets held for risk management.

(6) TL 155,181 (31 December 2018: TL 200,454) income accruals from derivative financial instruments is deducted from other assets. Other assets line includes factoring receivables amounting to TL 841,174 and factoring receivables expected credit loss amounting to TL 4,437. As of 31 December 2018, the amount of foreign currency indexed factoring receivables amounting to TL 27 (30 June 2019: None).

(7) Precious metal accounts amounting to TL 1,488,580 (31 December 2018: TL 1,182,236) are included in the foreign currency deposits.

(8) TL 65,890 (31 December 2018: TL 70,397) expense accruals from derivative financial instruments are deducted from other liabilities. As of 31 December 2018, there is a foreign currency indexed factoring payable amounting to TL 8 (30 June, 2019: None).

(9) Forward asset and marketable securities purchase-sale commitments of TL 3,123,238 (31 December 2018: TL1,076,006) are added to derivative financial assets and TL 4,928,687 (31 December 2018: TL970,306) has been added to derivative financial assets.

(10) There is no effect on the net off-balance sheet position

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

III. Explanations Related to Consolidated Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Parent Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

The priority of the risk management department is to avoid the impact of the fluctuations in interest rates. In this context, duration, maturity and sensitivity analysis are calculated by the Risk Management Department and presented to both Liquidity Risk Committee and Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Group.

The Parent Bank management monitors the market interest rates on a daily basis and revises the interest rates of the Parent Bank when necessary.

Since the Group does not allow maturity mismatches or imposes limits on the mismatch, no significant interest rate risk exposure is expected.

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	Over 5 Years	Non-interest Bearing (1)	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey(2)	12,217,084	-	-	-	-	2,673,236	14,890,320
Banks(3)	3,541,346	-	-	-	-	1,202,155	4,743,501
Financial Assets at Fair Value Through Profit or Loss	121,357	3,665	265,747	358,752	280,858	111,291	1,141,670
Money Market Placements(4)	1,062,174	-	-	-	-	(239)	1,061,935
Financial Assets Available for Sale	472,743	-	1,866,553	572,987	331,291	5,610	3,249,184
Loans and Receivables (5)	15,756,819	3,627,024	16,768,084	24,678,381	4,392,489	285,474	65,508,271
Held-To-Maturity Investments(6)	154,833	783,846	2,000,097	1,251,259	-	(943)	4,189,092
Other Assets(7)	815,217	599,709	608,837	862,736	104,629	5,469,268	8,460,396
Total Assets	**34,141,573**	**5,014,244**	**21,509,318**	**27,724,115**	**5,109,267**	**9,745,852**	**103,244,369**
Liabilities							
Bank Deposits	265,864	-	-	-	-	23,874	289,738
Other Deposits	48,008,076	2,785,650	623,452	7,068	-	14,090,501	65,514,747
Money Market Borrowings	1,219,408	325,919	-	-	-	-	1,545,327
Miscellaneous Payables	-	-	-	-	-	-	-
Securities Issued	1,058,973	1,807,462	-	-	-	-	2,866,435
Funds Provided From Other Financial Institutions	2,369,533	1,832,035	7,663,804	256,144	3,102,015	-	15,223,531
Other Liabilities	47,558	43,385	128,390	1,547,728	30,429	16,007,101	17,804,591
Total Liabilities	**52,969,412**	**6,794,451**	**8,415,646**	**1,810,940**	**3,132,444**	**30,121,476**	**103,244,369**
Balance Sheet Long Position	-	-	13,093,672	25,913,175	1,976,823	-	40,983,670
Balance Sheet Short Position	(18,827,839)	(1,780,207)	-	-	-	(20,375,624)	(40,983,670)
Off-Balance Sheet Long Position	3,920,466	5,114,470	-	-	-	-	9,034,936
Off-Balance Sheet Short Position	-	-	(1,456,666)	(7,378,879)	(199,963)	-	(9,035,508)
Total Position	**(14,907,373)**	**3,334,263**	**11,637,006**	**18,534,296**	**1,776,860**	**(20,375,624)**	**(572)**

(1) The expected loss provisions are presented under the "Non-Interest Bearing" column.

(2) Cash balances (Cash, Effective Deposit, Money in transit, Notes Payable) and the Central Bank of the Republic of Turkey include balances of expected losses amounting to TL 2,847.

(3) Banks include balance of expected loss provisions amounting to TL 6,507.

(4) Money market placements include balance of expected loss provisions amounting to TL 6,239.

(5) The revolving loans amounting to TL6,995,678 (31 December 2018: TL7,205,162) are presented under the "Up to 1 Month" column. It includes expected loss provisions amounting to TL 3,338,818.

(6) Financial assets at amortized cost include balance of expected loss provisions of TL 943.

(7) Includes factoring receivables amounting to TL 1,672,055 and factoring receivables expected loss provisions amounting to TL 6,507.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL 825,613, intangible assets amounting to TL 513,039, assets held for resale amounting to TL 119,351, entities under common control (joint vent.) amounting to TL 5 and the other liabilities line includes the shareholders' equity of TL 9,929,674.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

III. Explanations Related to Consolidated Interest Rate Risk (Continued)

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing [1]	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	12,069,370	-	-	-	-	3,591,682	15,661,052
Banks	2,946,298	-	-	-	-	998,134	3,944,432
Financial Assets at Fair Value Through Profit or Loss	56,889	18,679	18,937	117,376	316,013	88,680	616,574
Money Market Placements	281,788	-	-	-	-	-	281,788
Financial Assets at Fair Value Through Other Comprehensive Income [1]	496,598	156,047	1,642,804	608,818	382,970	5,610	3,292,847
Loans and receivables	16,271,475	5,258,061	12,002,096	24,529,354	4,844,969	1,125,809	64,031,764
Financial Assets at Amortised Cost	51,006	777,955	1,963,119	-	-	-	2,792,080
Other Assets [2]	1,065,345	812,622	497,587	1,318,398	31,531	4,313,356	8,038,839
Total Assets	**33,238,769**	**7,023,364**	**16,124,543**	**26,573,946**	**5,575,483**	**10,123,271**	**98,659,376**
Liabilities							
Bank Deposits	227,383	-	-	-	-	47,697	275,080
Other Deposits	41,235,803	8,292,678	2,790,922	8,753	-	11,556,898	63,885,054
Money Market Borrowings	104,977	-	-	-	-	-	104,977
Miscellaneous Payables	-	-	-	-	-	-	-
Securities Issued	368,498	158,094	-	-	-	-	526,592
Funds Provided From Other Financial Institutions	3,120,562	3,850,314	7,068,131	121,305	1,880,474	-	16,040,786
Other Liabilities	84,404	178,702	187,209	932,224	11,292	16,433,056	17,826,887
Total Liabilities	**45,141,627**	**12,479,788**	**10,046,262**	**1,062,282**	**1,891,766**	**28,037,651**	**98,659,376**
Balance Sheet Long Position	-	-	6,078,281	25,511,664	3,683,717	-	35,273,662
Balance Sheet Short Position	(11,902,858)	(5,456,424)	-	-	-	(17,914,380)	(35,273,662)
Off-Balance Sheet Long Position	13,241,873	-	-	-	-	-	13,241,873
Off-Balance Sheet Short Position	-	(1,554,023)	(5,253,328)	(5,630,348)	(123,999)	-	(12,561,698)
Total Position	**1,339,015**	**(7,010,447)**	**824,953**	**19,881,316**	**3,559,718**	**(17,914,380)**	**680,175**

(1) The Parent Bank's rotating loans amounting to TL 7,205,162 are presented under the maturity of up to 1 month.
(2) Includes factoring receivables amounting to TL 1,707,798 and factoring receivables expected loss provisions amounting to TL 60,893.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL 295,181, intangible assets amounting to TL 532,595, assets held for sale amounting to TL 109,104, entities under common control (joint vent.) amounting to TL 5 and the other liabilities line includes the shareholders' equity of TL 9,872,627.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

III. Explanations Related to Consolidated Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

	EUR %	USD %	YEN %	TL %
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	2.00	-	13.00
Banks	(0.35)	2.42	-	24.46
Financial Assets at Fair Value Through Profit or Loss	2.02	6.86	-	13.86
Money Market Placements	-	-	-	24.00
Financial Assets at Fair Value Through Other Comprehensive Income	1.31	6.11	-	14.68
Loans	3.41	5.34	5.27	21.64
Financial Assets Measured at Amortized Cost	2.68	5.69	-	17.92
Liabilities				
Bank Deposits	-	-	-	13.05
Other Deposits	0.19	2.56	0.25	22.14
Money Market Borrowings	-	0.80	-	23.08
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	23.17
Funds Provided From Other Financial Institutions	1.97	5.96	-	21.16

	EUR %	USD %	YEN %	TL %
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	2.00	-	13.00
Banks	(0.55)	2.29	-	24.04
Financial Assets at Fair Value Through Profit or Loss	4.89	6.53	-	18.54
Money Market Placements	-	-	-	25.47
Financial Assets at Fair Value Through Other Comprehensive Income	2.77	6.67	-	23.07
Loans(*)	3.25	5.81	5.15	20.22
Financial Assets Measured at Amortized Cost	-	-	-	22.21
Liabilities				
Bank Deposits	-	-	-	14.08
Other Deposits	1.34	3.77	1.57	22.01
Money Market Borrowings	-	3.10	-	25.02
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	24.40
Funds Provided From Other Financial Institutions	1.61	5.18	-	15.97

(*) Includes factoring receivable.

IV. Explanations Related to Equity Share Position Risk in Consolidated Banking Accounts

Equity securities which are not publicly traded in the Parent Bank's financial statements are booked as their fair value, or otherwise booked as their cost value if calculation of fair value is not determined properly.

The Parent Bank does not have any shares traded on Borsa Istanbul.

V. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio

a) Information on liquidity risk management, such as the Parent Bank's risk capacity, responsibilities and the structure of liquidity risk management, Parent Bank's internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The Asset-Liability Management and Treasury Group is responsible for following up the Parent Bank's current liquidity position and for complying with liquidity limits approved by the Board of Directors. After evaluating the liquidity position, the Asset-Liability Management and Treasury Group use authorized products to provide sufficient liquidity based on liquidity position.

Responsibilities for liquidity management are described in the Liquidity Risk Policy which is reviewed and approved by the Board of Directors annually. The various responsibilities have been shared among the appropriate departments and committees as outlined in duty descriptions. While the Asset-Liability Management and Treasury Group alone is responsible for managing liquidity and for developing short-term liquidity estimates, the Asset-Liability Management and Treasury Group works with the Asset-Liability Management Committee to jointly developing/setting short-term liquidity strategies and middle and long term liquidity estimates. The Asset-Liability Management Committee is responsible for preparing middle and long term liquidity strategies.

The Risk Management Group monitors daily all set liquidity risk limits, and periodically reports internal and legal liquidity rates and changes to the Audit Committee and Board of Directors, in addition to providing daily reports to senior management. Information about the Parent Bank's liquidity structure and policies is provided to the relevant business lines at an Assets-Liabilities Committee meeting which is held every couple of weeks and at a Liquidity Risk Committee meeting which is held monthly.

b) Information on the centralization degree of liquidity management and funding strategy, and on operations between Parent Bank and its partnerships:

The Asset-Liability Management and the Treasury Group manage the Parent Bank's liquidity risk and performs this role only for the bank. Liquidity gap values are monitored within the limits set by the Board of Directors, and for compliance with these limits, the necessary debt instruments are used, while considering price and maturity structure. Our subsidiaries manage their own liquidity and we provide them borrowing facilities within market conditions and legal limits.

c) Information about the Parent Bank's funding strategy including policies on funding types and variety of maturities:

While the Parent Bank tries to diversify its funding resources, it also tries to extend its payment terms. Customer deposits are the bank's main funding resource. Our main strategy for deposit management is to be inclusive while extending the average maturity. In addition to borrowings from money markets and collecting deposit, the Parent Bank uses instruments such as long-term syndicated loans, securities issued in TL and foreign currency to diversify funding resources. Information on liquidity management based on currency which consists of a minimum of 5% of the Parent Bank's total liabilities:

d) Information on liquidity management based on currency which consists of a minimum of 5% of the Parent Bank's total liabilities:

Excluding TL, USD and EUR, there is no foreign currency which exceeds 5% of total liabilities. For these currencies, liquidity gaps are reported on a monthly basis and the liquidity coverage ratio is calculated daily for TL and foreign currency. The Asset-Liability Management and Treasury Group is responsible for taking the necessary steps to keep ratios within the limits determined by the Board of Directors. Trend of these ratios are monitored on a monthly basis by the Liquidity Risk Committee which includes the General Manager, Assistant General Manager responsible from Financial Affairs Group, Group Risk Chief Officer, and the Assistant General Manager in charge of the Asset-Liability Management and Treasury Group. Furthermore, senior management is periodically informed about the relevant ratios.

V. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (continued)

e) Information on liquidity risk mitigation techniques:

The Parent Bank's main liquidity management strategy is to diversify funding resources and extend the maturity structure. The Parent Bank's balance sheet liquidity risk is periodically measured by Assets-Liabilities management and closely monitored with the Treasury. In accordance with market expectations, the Assets-Liabilities Management and Treasury Group carries out the actions necessary to minimize risk.

Within this framework, the Parent Bank's liquidity risk is attempted to manage efficiently by long-term structural changes (such as diversifying funding sources, extending maturity structure etc.) and short and mid-term money market and derivative transactions.

In the short term, liquidity risk is minimized with FX swaps, interbank borrowings and repurchase agreements, while cross currency swap and interest rate swap transactions are used to minimize these risks in the long term.

f) Explanation on the usage of the stress test:

The aim of the liquidity stress test is to analyze how liquidity squeeze affects bank liquidity. Cash inflows and outflows which may arise in cases of stress event are analyzed based on products with different maturities. Stress events which may arise as a result of the liquidity squeeze, both in the Parent Bank and in the whole banking system, in cases of stress event are analyzed. Also, situations where the two scenarios might coincide are considered. The analysis addresses how much of the net cash outflows of different maturities would be covered by the current liquid stock during all relevant stress events.

g) General information on liquidity emergency and contingency plans:

The extraordinary liquidity situation is evaluated to determine;

- Whether the liquidity problem is specific to the Parent bank or applies to the whole banking system and
- Whether there is a permanent or temporary problem.

Profitability has second degree importance in extraordinary liquidity conditions. In cases of cash shortage or cash withdrawal, the branches are responsible for informing the Asset-Liability Management and Treasury Group about withdrawn liabilities. The Asset-Liability Management and Treasury Group takes the necessary actions to cover the cash outflow which may occur in the accounts and informs the Asset-Liability Committee of any related delays.

In a liquidity crisis, the Asset-Liability Management and Treasury Group, the Asset-Liability Committee, the Liquidity Risk Committee, senior management, and the Board of Directors are responsible for solving the liquidity problem. It is predicted that, in a liquidity crisis, in order to create additional liquidity, written actions (considering the cost) must be taken within current market conditions.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio:

		Rate of "Percentage" to Be Taken into Account not Implemented Total Value(*)		Rate of "Percentage" to Be Taken into Account Implemented Total Value(*)	
Current Period – 30 June 2019		**TL+FC**	**FC**	**TL+FC**	**FC**
	High Quality Liquid Assets				
1	High Quality Liquid Assets			23,603,920	15,866,214
	Cash Outflows				
2	Real Person and Retail Deposits	49,295,007	24,252,353	4,501,569	2,425,235
3	Stable Deposits	8,558,636	-	427,932	-
4	Less Stable Deposits	40,736,371	24,252,353	4,073,637	2,425,235
5	Unsecured Debts Other than Real Person and Retail Deposits	20,728,930	10,065,092	11,166,106	5,277,481
6	Operational Deposits	513,107	288,563	128,277	72,141
7	Non-operational Deposits	15,732,484	7,835,548	6,585,557	3,264,359
8	Other Unsecured Funding	4,483,339	1,940,981	4,452,272	1,940,981
9	Secured Funding			49,828	-
10	Other Cash Outflows	1,640,389	3,625,332	1,640,389	3,625,332
11	Outflows Related to Derivative Exposures and	1,640,389	3,625,332	1,640,389	3,625,332
12	Other Collateral Requirements	-	-	-	-
13	Outflows Related to Restructured Financial Instruments	-	-	-	-
14	Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Market	-	-	-	-
15	Other Revocable Off-Balance Sheet	31,618,523	11,803,640	2,658,927	1,214,228
16	**Total Cash Outflows**			**20,016,819**	**12,542,276**
	Cash Inflows				
17	Secured Liabilities	-	-	-	-
18	Unsecured Liabilities	13,362,068	8,380,850	10,248,508	7,547,217
19	Other Cash Inflows	59,589	6,897,242	59,589	6,897,242
20	**Total Cash Inflows**	**13,421,657**	**15,278,092**	**10,308,097**	**14,444,459**
				Upper Limit Applied Values	
21	**Total High Quality Liquid Assets**			**23,603,920**	**15,866,214**
22	**Total Net Cash Outflows**			**9,708,722**	**3,135,569**
23	**Liquidity Coverage Ratio (%)**			**243.12**	**506.01**

(*) Simple arithmetic average of the last three months data calculated by using monthly simple arithmetic averages.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio: (continued)

		Rate of "Percentage" to Be Taken into Account not Implemented Total Value(*)		Rate of "Percentage" to Be Taken into Account" Implemented Total Value(*)	
Prior Period – 31 December 2018		**TL+FC**	**FC**	**TL+FC**	**FC**
	High Quality Liquid Assets				
1	High Quality Liquid Assets			19,882,981	12,787,421
	Cash Outflows				
2	Real Person and Retail Deposits	46,047,668	19,001,748	4,231,081	1,900,175
3	Stable Deposits	7,473,714	-	373,686	-
4	Less Stable Deposits	38,573,954	19,001,748	3,857,395	1,900,175
5	Unsecured Debts Other than Real Person and Retail Deposits	20,729,431	11,294,904	10,594,618	5,904,392
6	Operational Deposits	303,482	124,262	75,870	31,066
7	Non-operational Deposits	17,140,743	9,048,469	7,264,073	3,751,153
8	Other Unsecured Funding	3,285,206	2,122,173	3,254,675	2,122,173
9	Secured Funding	-	-	82,510	-
10	Other Cash Outflows	2,340,237	4,885,588	2,340,237	4,885,588
11	Outflows Related to Derivative Exposures and	2,340,237	4,885,588	2,340,237	4,885,588
12	Other Collateral Requirements	-	-	-	-
13	Outflows Related to Restructured Financial Instruments	-	-	-	-
14	Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Market	-	-	-	-
15	Other Revocable Off-Balance Sheet	30,830,977	11,731,104	2,605,338	1,141,458
16	**Total Cash Outflows**			**19,853,784**	**13,831,613**
	Cash Inflows				
17	Secured Liabilities	-	-	-	-
18	Unsecured Liabilities	15,650,516	10,056,817	12,479,035	9,279,886
19	Other Cash Inflows	613,991	7,541,582	613,991	7,541,582
20	**Total Cash Inflows**	**16,264,507**	**17,598,399**	**13,093,026**	**16,821,468**
				Upper Limit Applied Values	
21	**Total High Quality Liquid Assets**			**19,882,981**	**12,787,421**
22	**Total Net Cash Outflows**			**6,760,758**	**3,457,903**
23	**Liquidity Coverage Ratio (%)**			**294.09**	**369.80**

(*) Simple arithmetic average of the last three months data calculated by using monthly simple arithmetic averages.

The amount of high quality liquid assets, distribution of deposits based on segment, maturity types of borrowings and the share of revolving loans in loan portfolio can be considered as the most important factors affecting liquidity coverage ratio.

High quality liquid assets in order to their priority consist of the time accounts, bond portfolio, reserve deposit and cash. Funding sources consists of corporate customer deposits, real person deposits, borrowings and SME deposit accounts which are weighted by ratios used in Liquidity Coverage Ratio reporting considering their maturity types. Due to amount differences between buy and sell transactions, derivative products effects more FC Liquidity Coverage Ratio rather than the total. Besides, cash outflows due to withdrawal of the collaterals securing derivatives and market valuation changes on derivative transactions are considered in calculations.

The Parent Bank has concentration limits related to funds source that approved by the Board of Directors. Proportional limits on product type are reported in relation to how much of the funding can be obtained from deposits, group funding, borrowings from banks and repo and other long-term sources. .

Liquidity management of the subsidiaries subject to consolidation is carried out by the companies themselves. Although there is a consolidated reporting for the liquidity coverage ratio, there is no centralized liquidity management. Finally, there is no significant cash inflow and cash outflow related to the liquidity profile of the Parent Bank, which is included in the calculation of liquidity coverage ratio, but which is not included in the public disclosure template in the second paragraph of the related communiqué.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (continued)

Consolidated Liquidity Coverage Ratios for the last three months are presented below:

	Current Period	
	TL+FC	**FC**
April 2019	246.92%	504.14%
May 2019	272.73%	509.48%
June 2019	216.72%	484.87%
	Prior Period	
	TL+FC	**FC**
October 2018	288.45%	334.59%
November 2018	259.52%	460.68%
December 2018	249.60%	496.03%

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**	**Over 5 Years**	**Undistributed(*)**	**Total**
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey [(2)]	2,676,083	12,217,084	-	-	-	-	(2,847)	14,890,320
Banks [(3)]	1,208,662	3,541,346	-	-	-	-	(6,507)	4,743,501
Financial Assets at Fair Value Through Profit and Loss	-	988	110	269,123	479,298	280,860	111,291	1,141,670
Money Market Placements[(4)]	-	1,062,174	-	-	-	-	(239)	1,061,935
Financial Assets Measured at Other Comprehensive Income	5,610	39,921	-	1,636,101	887,005	680,547	-	3,249,184
Loans [(5)]	-	15,759,365	3,621,867	16,768,084	24,701,134	4,392,489	265,332	65,508,271
Financial Assets Measured at Amortised Cost [(6)]	-	-	-	981,710	3,208,325	-	(943)	4,189,092
Other Assets[(7)]	-	1,698,719	656,784	865,903	948,269	104,629	4,186,092	8,460,396
Total Assets	**3,890,355**	**34,319,597**	**4,278,761**	**20,520,921**	**30,224,031**	**5,458,525**	**4,552,179**	**103,244,369**
Liabilities								
Bank Deposits	23,874	265,864	-	-	-	-	-	289,738
Other Deposits	14,090,501	47,969,737	2,790,932	656,504	7,073	-	-	65,514,747
Funds Provided From Other Financial Institutions	-	2,332,287	1,609,606	7,888,018	291,605	3,102,015	-	15,223,531
Money Market Borrowings	-	1,219,408	325,919	-	-	-	-	1,545,327
Securities Issued	-	1,058,973	1,807,462	-	-	-	-	2,866,435
Miscellaneous Payables	-	-	-	-	-	-	-	-
Other Liabilities	17,177	3,995,078	486,624	417,351	1,865,161	437,770	10,585,430	17,804,591
Total Liabilities	**14,131,552**	**56,841,347**	**7,020,543**	**8,961,873**	**2,163,839**	**3,539,785**	**10,585,430**	**103,244,369**
Liquidity Gap	**(10,241,197)**	**(22,521,750)**	**(2,741,782)**	**11,559,048**	**28,060,192**	**1,918,740**	**(6,033,251)**	**-**
Net Off-Balance Sheet Position	**-**	**(250,131)**	**(103,186)**	**(23,404)**	**(497)**	**1,841**	**-**	**(375,377)**
Financial Derivative Assets	-	20,717,471	5,596,053	11,449,392	14,240,341	2,890,233	-	54,893,490
Financial Derivative Liabilities	-	20,967,602	5,699,239	11,472,796	14,240,838	2,888,392	-	55,268,867
Non-Cash Loans	6,213,770	926,444	2,624,548	7,493,585	6,543,553	-	-	23,801,900
Prior Period								
Total Assets	4,595,426	32,837,361	6,532,259	14,155,867	29,579,452	6,509,995	4,449,016	98,659,376
Total Liabilities	11,669,371	49,068,627	12,251,342	10,849,823	1,420,836	2,854,441	10,544,936	98,659,376
Liquidity Gap	**(7,073,945)**	**(16,231,266)**	**(5,719,083)**	**3,306,044**	**28,158,616**	**3,655,554**	**(6,095,920)**	**-**
Net Off-Balance Sheet Position	**-**	**147,426**	**(56,654)**	**(3,761)**	**375,087**	**1,838**	**-**	**463,936**
Financial Derivative Assets	-	13,443,961	10,708,847	16,665,546	14,044,584	646,865	-	55,509,803
Financial Derivative Liabilities	-	13,296,535	10,765,501	16,669,307	13,669,497	645,027	-	55,045,867
Non-Cash Loans	6,069,867	1,470,618	2,589,098	5,765,025	6,774,921	-	-	22,669,529

(1) Active accounts with fixed assets, associates and subsidiaries, fixed assets, prepaid expenses and non-performing loans, which are required for the continuation of banking activities and which do not have the chance to convert to cash in a short time, are recorded here. The expected loss provisions are also shown here.
(2) Cash and cash equivalents include cash balances, cash and cash equivalents, cash and cash equivalents.
(3) Banks include balance of expected loss provisions amounting to TL 6,507.
(4) Money market placements include expected loss provision of TL 239.
(5) The revolving loans amounting to TL 6,995,678 (31 December 2018: TL 7,205,162) are presented under the "Up to 1 Month" column. It includes expected loss provisions amounting to TL 3,388,818.
(6) Financial assets at amortized cost include balance of expected loss provisions of TL 943.
(7) Includes factoring receivables amounting to TL 1,672,055 and factoring receivables expected loss provisions amounting to TL 62,799.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VI. Explanations Related to Consolidated Leverage Ratio

a) Information on issues that cause differences between current period and previous period leverage ratios:

There is a decrease in the leverage ratio in line with the increase in non-cash loan portfolio.

b) Comparison table of total assets and total risk amounts in the financial statements prepared in accordance with TAS:

		Current Period (**)	Prior Period (**)
1	Total assets in the consolidated financial statements prepared in accordance with TAS (*)	105,290,530	101,829,657
2	Difference between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communique on Preparation of Consolidated Financial Statements of the Banks	156	54,485
3	Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	594,263	728,753
4	Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	3,837	-
5	Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	47,919,813	41,093,276
6	Other differences in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(1,400,333)	(560,547)
7	**Total Risk**	**152,408,266**	**143,145,624**

(*) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks.

(**) The arithmetic average of the last 3 months in the related periods.

c) Leverage Ratio:

	Assets On the Balance Sheet	**Current Period(*)**	**Prior Period(*)**
1	Assets on the Balance Sheet (Excluding Derivative Financial Instruments and Loan Derivatives, Including Collaterals)	103,526,398	99,084,876
2	(Assets Deducted from Core Capital)	(550,538)	(560,547)
3	Total Risk Amount for Assets on the Balance Sheet	102,975,860	98,524,329
	Derivative Financial Instruments and Credit Derivatives		
4	Renewal Cost of Derivative Financial Instruments and Credit Derivatives	914,493	2,799,266
5	Potential Credit Risk Amount of Derivative Financial Instruments and Credit Derivatives	594,263	728,753
6	Total Risk Amount of Derivative Financial Instruments and Credit Derivatives	1,508,756	3,528,019
	Financing Transactions With Securities Or Goods Warranties		
7	Risk Amount of Financial Transactions with Securities or Goods Warranties (Excluding Those in the Balance Sheet)	3,837	-
8	Risk Amount Arising from Intermediated Transactions	-	-
9	Total Risk Amount of Financing Transactions with Securities or Goods Warranties	3,837	-
	Off-Balance Sheet Transactions		
10	Gross Nominal Amount of the Off-balance Sheet Transactions	47,919,813	41,093,276
11	(Adjustment Amount Arising from Multiplying by the Credit Conversion Rate)	-	-
12	Total Risk Amount for Off-balance Sheet Transactions	47,919,813	41,093,276
	Capital and Total Risk		
13	Tier 1 Capital	9,802,889	9,413,198
14	Total Risk Amount	152,408,266	143,145,624
	Leverage Ratio		
15	Leverage Ratio	6.43%	6.58%

(*) The amounts in the table are calculated by using the quarterly average amounts.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VII. Explanations Related to Consolidated Risk Management

Notes and explanations prepared in accordance with "the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks" published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. The notes to be presented within the scope of internal rating based approach have not been presented due to use of standard approach for the calculation of capital adequacy ratio by the Group.

Overview of Risk Weighted Amounts

		Risk Weighted Amounts		Minimum capital requirement
		Current Period	**Prior Period**	**Current Period**
1	Credit Risk (Excluding Counterparty Credit Risk) (CCR)	73,402,535	68,171,711	5,872,203
2	Of which Standardized Approach (SA)	73,402,535	68,171,711	5,872,203
3	Of which Internal Rating-based (IRB) Approach	-	-	-
4	Counterparty Credit Risk	1,245,567	1,306,710	99,645
5	Of which Standardized Approach for Counterparty Credit Risk (SA-CCR)	1,245,567	1,306,710	99,645
6	Of which Internal Model Method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity investments in funds – Look-through Approach	-	-	-
9	Equity investments in funds – Mandate-based Approach	-	-	-
10	Equity investments in funds – 1250% Weighted Risk Approach	-	-	-
11	Settlement Risk	-	-	-
12	Securitization Positions in Banking Book	-	-	-
13	Of which IRB Ratings-based Approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/Simplified Supervisory Formula Approach (SSFA)	-	-	-
16	Market Risk	1,427,651	724,900	114,212
17	Standardized Approach (SA)	1,427,651	724,900	114,212
18	Internal Model Approaches (IMM)	-	-	-
19	Operational Risk	8,663,988	7,630,255	693,119
20	Of which Basic Indicator Approach	8,663,988	7,630,255	693,119
21	Of which Standard Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the Thresholds for Deduction (Subject to a 250% Risk Weight)	-	-	-
24	Floor Adjustment	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**84,739,741**	**77,833,576**	**6,779,179**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VII. Explanations Related to Consolidated Risk Management (continued)

Credit quality of assets

Current Period	Gross carrying values of (according to TAS)		Allowances/impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans	3,666,103	66,763,018	3,401,617	67,027,504
Debt Securities	-	7,433,609	943	7,432,666
Off-balance sheet exposures	-	50,306,510	221,779	50,084,731
Total	**3,666,103**	**124,503,137**	**3,624,339**	**124,544,901**

Prior Period	Gross carrying values of (according to TAS)		Allowances/impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans	2,839,438	65,749,908	2,910,677	65,678,669
Debt Securities	-	6,079,317	629	6,078,688
Off-balance sheet exposures	-	38,746,911	202,659	38,544,252
Total	**2,839,438**	**110,576,136**	**3,113,965**	**110,301,609**

Changes in stock of defaulted loans and debt securities

	Current Period	Prior Period
1 Defaulted loans and debt securities at prior period	**2,839,438**	**1,990,299**
2 Loans and debt securities that have defaulted since the last reporting period	1,474,830	2,216,569
3 Returned to non-defaulted status	-	(2,018)
4 Amounts written off	(240,364)	(503,724)
5 Other changes(*)	(407,801)	(861,688)
6 Defaulted loans and debt securities at current period (1+2-3-4-5)	**3,666,103**	**2,839,438**

(*) Includes collections during the period.

Credit risk mitigation techniques

Current Period	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans	48,745,305	12,192,811	10,632,087	7,430,469	6,105,957	-	-
Debt securities	7,433,609	-	-	-	-	-	-
Total	**56,178,914**	**12,192,811**	**10,632,087**	**7,430,469**	**6,105,957**	**-**	**-**
Of which defaulted	3,367,475	277,167	178,104	21,461	1,351	-	-

Prior Period	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans	48,045,927	9,664,220	8,690,629	9,163,643	6,601,291	-	-
Debt securities	6,080,057	-	-	-	-	-	-
Total	**54,125,984**	**9,664,220**	**8,690,629**	**9,163,643**	**6,601,291**	**-**	**-**
Of which defaulted	2,739,854	89,333	66,566	10,251	948	-	-

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VII. Explanations Related to Consolidated Risk Management (continued)

Credit risk exposure and Credit Risk Mitigation (CRM) effects

Current Period	**Exposures before Credit Conversion Factors and CRM**		**Exposures post-Credit Conversion Factors and CRM**		**RWA and RWA density**	
Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
Exposures to central governments or central banks	21,071,795	-	25,936,835	27,146	5,573,426	21%
Exposures to regional governments or local authorities	1,002,536	5,266	1,000,809	2,396	501,609	50%
Exposures to public sector entities	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to institutions	6,489,698	1,902,097	5,251,521	1,418,072	2,810,738	42%
Exposures to corporates	26,277,573	20,143,967	25,009,875	12,399,335	36,705,455	98%
Retail exposures	28,477,949	14,970,134	23,693,177	3,188,793	20,148,517	75%
Exposures secured by residential property	5,752,888	360,392	5,752,888	141,183	2,062,924	35%
Exposures secured by commercial real estate	4,704,108	436,966	4,704,108	241,934	2,473,021	50%
Past-due loans	1,513,882	242,905	1,512,531	75,649	1,504,134	95%
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
Other assets	3,737,613	12,196,976	3,736,793	2,727	1,505,810	40%
Investment in equities	116,901	-	116,901	-	116,901	100%
Total	**99,144,943**	**50,258,703**	**96,715,438**	**17,497,235**	**73,402,535**	**64%**

Prior Period	**Exposures before Credit Conversion Factors and CRM**		**Exposures post-Credit Conversion Factors and CRM**		**RWA and RWA density**	
Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
Exposures to central governments or central banks	20,221,030	-	25,399,521	40,788	3,232,295	13%
Exposures to regional governments or local authorities	992,484	6,578	984,538	3,144	494,165	50%
Exposures to public sector entities	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to institutions	5,934,637	1,366,431	5,589,701	1,551,717	2,335,668	33%
Exposures to corporates	27,699,669	20,226,548	25,770,859	12,033,390	37,336,369	99%
Retail exposures	27,496,201	12,620,886	22,857,077	2,709,599	19,168,904	75%
Exposures secured by residential property	6,067,061	327,662	6,067,062	132,530	2,169,857	35%
Exposures secured by commercial real estate	2,558,285	211,302	2,558,285	114,482	1,336,383	50%
Past-due loans	1,119,001	205,582	1,118,053	65,022	1,222,582	103%
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIU	-	-	-	-	-	-
Other assets	2,888,926	3,737,224	2,882,536	2,243	781,198	27%
Investment in equities	94,290	-	94,290	-	94,290	100%
Total	**95,071,584**	**38,702,213**	**93,321,922**	**16,652,915**	**68,171,711**	**62%**

TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VII. Explanations Related to Consolidated Risk Management (continued)

Exposures by asset classes and risk weights

Asset classes/Risk weight (Current period)	0%	10%	20%	35%	50% (secured by real estate) (*)	75%	100%	150%	200%	Other risk weights	Total credit risk exposures amount (after CCF and CRM)
Exposures to central governments or central banks	20,390,555	-	-	-	-	-	5,573,426	-	-	-	25,963,981
Exposures to regional governments or local authorities	-	-	-	-	1,003,192	-	13	-	-	-	1,003,205
Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions	-	-	3,818,435	-	1,612,506	-	1,234,360	4,292	-	-	6,669,593
Exposures to corporates	-	-	326,029	-	885,865	-	36,197,316	-	-	-	37,409,210
Retail exposures	-	-	22,500	-	2,587	26,856,640	243	-	-	-	26,881,970
Exposures secured by residential property	-	-	-	5,894,071	-	-	-	-	-	-	5,894,071
Exposures secured by commercial real estate	-	-	-	-	4,946,042	-	-	-	-	-	4,946,042
Past-due loans	-	-	-	-	471,535	-	813,203	303,442	-	-	1,588,180
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	116,901	-	-	-	116,901
Other assets	2,201,253	-	40,571	-	-	-	1,497,696	-	-	-	3,739,520
Total	**22,591,808**	**-**	**4,207,535**	**5,894,071**	**8,921,727**	**26,856,640**	**45,433,158**	**307,734**	**-**	**-**	**114,212,673**

(*) The amount shown on the line of "Exposures secured by commercial real estate" is "Exposures secured by real estate" and other amounts shown on this column represent the exposures subject to 50% risk weight

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VII. Explanations Related to Consolidated Risk Management (continued)

Exposures by asset classes and risk weights (continued)

Asset classes/Risk weight (Prior period)	0%	10%	20%	35%	50% (secured by real estate) (*)	75%	100%	150%	200%	Other risk weights	Total credit risk exposures amount (after CCF and CRM)
Exposures to central governments or central banks	22,208,014	-	-	-	-	-	3,232,295	-	-	-	25,440,309
Exposures to regional governments or local authorities	-	-	-	-	987,037	-	645	-	-	-	987,682
Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions	-	-	5,081,786	-	1,484,779	-	570,717	4,136	-	-	7,141,418
Exposures to corporates	-	-	160,786	-	678,504	-	36,964,959	-	-	-	37,804,249
Retail exposures	-	-	7,903	-	7,021	25,551,752	-	-	-	-	25,566,676
Exposures secured by residential property	-	-	-	6,199,592	-	-	-	-	-	-	6,199,592
Exposures secured by commercial real estate	-	-	-	-	2,672,767	-	-	-	-	-	2,672,767
Past-due loans	-	-	-	-	331,085	-	441,891	410,099	-	-	1,183,075
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	94,290	-	-	-	94,290
Other assets	2,066,839	-	45,928	-	-	-	772,012	-	-	-	2,884,779
Total	**24,274,853**	**-**	**5,296,403**	**6,199,592**	**6,161,193**	**25,551,752**	**42,076,809**	**414,235**	**-**	**-**	**109,974,837**

(*) The amount shown on the line of "Exposures secured by commercial real estate" is "Exposures secured by real estate" and other amounts shown on this column represent the exposures subject to 50% risk weight

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VIII. Explanations Related to Consolidated Credit Risk

Analysis of counterparty credit risk (CCR) exposure by approach

Current period	Replacement cost	Potential future exposure	EEPE(*)	Alpha used for computing regulatory EAD	EAD post CRM	RWA
Standardised Approach - CCR (For Derivatives)	434,488	533,550		1.4	950,671	785,227
Internal Model Method (for derivatives, repo transactions , marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					1,131,509	1,994
Total						**787,221**

(*) Effective Expected Positive Exposure

Prior period	Replacement cost	Potential future exposure	EEPE(*)	Alpha used for computing regulatory EAD	EAD post CRM	RWA
Standardised Approach - CCR (For Derivatives)	749,662	480,953		1.4	1,215,124	953,104
Internal Model Method (for derivatives, repo transactions , marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					11,621	2,970
Total						**956,074**

(*) Effective Expected Positive Exposure

VIII. Explanations Related to Consolidated Credit Risk (continued)

Credit valuation adjustment (CVA) capital charge

Current period	Exposure at default post Credit Risk Mitigation (CRM)	Risk Weighted Assets
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (Including the 3 x multiplier)		-
(ii) Stressed VaR component (Including the 3 x multiplier)		-
All portfolios subject to the Standardized CVA capital charge	950,671	458,346
Total subject to the CVA capital charge	**950,671**	**458,346**

Prior period	Exposure at default post Credit Risk Mitigation (CRM)	Risk Weighted Assets
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (Including the 3 x multiplier)		-
(ii) Stressed VaR component (Including the 3 x multiplier)		-
All portfolios subject to the Standardized CVA capital charge	1,215,124	350,636
Total subject to the CVA capital charge	**1,215,124**	**350,636**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VIII. Explanations Related to Consolidated Credit Risk (continued)

Counterparty credit risk (CCR) exposures by regulatory portfolio and risk weights

Regulatory portfolio / Risk weight (Current period)	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Exposures (*)
Claims from central governments and central banks	1,128,115	-	-	-	-	-	-	-	-	1,128,115
Claims from regional and local governments	-	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	3,931	-	302,054	-	6,263	-	-	312,248
Corporates	-	-	1,285	-	5,968	-	599,924	-	-	607,177
Retail portfolios	-	-	-	-	-	34,640	-	-	-	34,640
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-	-
Claims which are defined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets(**)	-	-	-	-	-	-	-	-	-	-
Total	**1,128,115**	**-**	**5,216**	**-**	**308,022**	**34,640**	**606,187**	**-**	**-**	**2,082,180**

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.
(**) Other assets: the amounts excludes exposures to Central Counterparty, which are reported in Counterparty Credit Risk.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VIII. Explanations Related to Consolidated Credit Risk (continued)

Counterparty credit risk (CCR) exposures by regulatory portfolio and risk weights

Regulatory portfolio / Risk weight (Prior period)	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Exposures (*)
Claims from central governments and central banks	-	-	-	-	-	-	5,601	-	-	5,601
Claims from regional and local governments	-	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	9,468	-	515,103	-	-	477	-	525,048
Corporates	-	-	769	-	2,673	-	677,319	-	-	680,761
Retail portfolios	-	-	-	-	-	15,328	7	-	-	15,335
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-	-
Claims which are defined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets(**)	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**10,237**	**-**	**517,776**	**15,328**	**682,927**	**477**	**-**	**1,226,745**

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.
(**) Other assets: the amounts excludes exposures to Central Counterparty, which are reported in Counterparty Credit Risk.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VIII. Explanations Related to Consolidated Credit Risk (continued)

Composition of collateral for CCR exposure

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
Current period	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**		
Cash – domestic currency	-	3,256	-	-	-	-
Cash – other currencies	-	14,099	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	12	-	-	-	-
Government agency bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	**17,367**	-	-	-	-

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received Segregated	Fair value of posted collateral Unsegregated
Prior period	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**		
Cash – domestic currency	-	1,642	-	-	-	-
Cash – other currencies	-	13,849	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	**15,491**	-	-	-	-

Credit derivatives exposures

	Current Period		Prior Period	
	Protection bought	**Protection sold**	**Protection bought**	**Protection sold**
Nominal				
Single-name credit default swaps	-	-	105,480	-
Index credit default swaps	-	-	-	-
Total return swaps	-	-	-	-
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total Nominals	**-**	**-**	**105,480**	**-**
Fair Values	**-**	**-**	(5,875)	
Positive fair value (asset)	-	-	390	-
Negative fair value (liability)	-	-	(6,265)	-

Exposures to central counterparties

None.

IX. Securitization Disclosures

Since the Parent Bank does not hold securitization position, the notes to be presented according to the Communiqué on Disclosures about Risk Management to be announced to Public by Banks have not been presented.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

X. Explanations Related to Consolidated Market Risk

	Risk Weighted Amount Current period	Risk Weighted Amount Prior period
Outright products		
Interest rate risk (general and specific)	1,241,166	634,338
Equity risk (general and specific)	-	-
Foreign exchange risk	99,074	55,124
Commodity risk	24,048	12,000
Options		
Simplified approach	-	-
Delta-plus method	63,363	23,438
Scenario approach	-	-
Securitization	-	-
Total	**1,427,651**	**724,900**

Notes and explanations prepared in accordance with "the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks" published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. As of 30 June 2019, the notes to be presented on a semi-annually basis according to Communiqué have not been presented due to usage of standard approach for the calculation of market risk by the Group.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Consolidated Assets

1. a) Information on Cash and Balances with the Central Bank of the Republic of Turkey:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Cash in TL/Foreign Currency	406,115	1,742,726	442,449	1,564,017
Balances with the Central Bank of Turkey	461,874	12,189,469	1,516,100	12,032,184
Other	-	92,983	-	106,302
Total	**867,989**	**14,025,178**	**1,958,549**	**13,702,503**

b) Information related to the account of the Central Bank of the Republic of Turkey:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Unrestricted Demand Deposit	434,259	-	1,478,914	-
Unrestricted Time Deposit	-	3,408,312	-	5,243,049
Restricted Time Deposit	27,615	8,781,157	37,186	6,789,135
Total	**461,874**	**12,189,469**	**1,516,100**	**12,032,184**

Foreign currency unrestricted deposit amounting to TL 3,408,312 (31 December 2018: TL 5,243,049), foreign currency restricted deposit amounting to TL 8,781,157 (31 December 2018: TL 6,789,135), unrestricted deposit balance amounting to TL 434,259 (31 December 2018: TL 1,478,914) and restricted deposit amounting to TL 27,615 (31 December 2018: TL 37,186) comprises of reserve deposits. As of 30 June 2019, the Turkish lira required reserve ratios are determined to be within the range of 1% - 7% depending on the maturity structure of deposits denominated in Turkish lira (31 December 2018: 1,5 % - 8%), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 5% - 21% (31 December 2018: 4.% - 20%).

2. Information on financial assets at fair value through profit or loss (net):

a.1) Information on financial assets at fair value through profit or loss given as collateral / blocked: None (31 December 2018: None).

a.2) Financial assets at fair value through profit or loss subject to repurchase agreements: None (31 December 2018: None).

Net book value of unrestricted financial assets at fair value through profit or loss is TL 1,030,379 (31 December 2018: TL 527,894).

3. Positive differences related to derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Forward Transactions	278,306	12,791	458,840	10,370
Swap Transactions	1,007,832	144,981	1,812,153	186,750
Futures Transactions	-	-	-	-
Options	39,897	8,976	129,526	12,730
Other	-	-	-	390
Total	**1,326,035**	**166,748**	**2,400,519**	**210,240**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

4. Information on banks:

a) Information on banks:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks				
Domestic Banks	1,216,431	46,663	801,550	21,467
Foreign Banks	52,173	3,434,741	82,122	3,039,293
Foreign Head Offices and Branches	-	-	-	-
Total	**1,268,604**	**3,481,404**	**883,672**	**3,060,760**

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

a) a.1) Information on financial assets at fair value through other comprehensive income given as collateral / blocked:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Equity Securities	-	-	-	-
Bond, Treasury Bill and Similar Investment Securities	475,873	-	266,235	-
Other	-	-	-	-
Total	**475,873**	**-**	**266,235**	**-**

a.2) Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Government Bonds	72,084	339,504	64,511	-
Treasury Bills	-	-	-	-
Other Government Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	**72,084**	**339,504**	**64,511**	**-**

The book value of debt securities and equity securities in unrestricted financial assets at fair value through other comprehensive income is TL 2,361,723 (31 December 2018: TL 2,962,101).

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

	Current Period	**Prior Period**
Debt Securities	3,243,574	3,287,237
Quoted on a Stock Exchange	3,224,346	3,267,201
Not Quoted	19,228	20,036
Equity Securities	5,610	5,610
Quoted on a Stock Exchange	-	-
Not Quoted	5,610	5,610
Impairment Provision (-)	-	-
Total	**3,249,184**	**3,292,847**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on loans:

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

	Current Period		Prior Period	
	Cash Loans	**Non-Cash Loans**	**Cash Loans**	**Non-Cash Loans**
Direct Loans Granted to Shareholders	52,756	462,527	19,520	260,569
Corporate Shareholders	52,756	462,527	19,520	260,569
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	110,876	-	108,259	-
Total	**163,632**	**462,527**	**127,779**	**260,569**

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

		Loans Under Close Monitoring (*)		
			Loans Under Restructuring	
Cash Loans	**Standard Loans**	**Not Under the Scope of Restructuring**	**Modifications on Agreement Conditions**	**Refinancing**
Non-specialized loans	55,013,571	7,742,381	307,364	2,179,622
Working Capital Loans	4,458,827	975,160	127,601	754,063
Export Loans	7,789,200	354,919	4,983	148,369
Import Loans	-	-	-	-
Loans Given to Financial Sector	1,588,797	-	-	-
Consumer Loans	10,743,014	2,669,801	1,995	111,526
Credit Cards	3,798,175	722,744	65,137	-
Other	26,635,558	3,019,757	107,648	1,165,664
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**55,013,571**	**7,742,381**	**307,364**	**2,179,622**

	Current Period		Prior Period	
	Standard Loans	**Loans Under Close Monitoring**	**Standard Loans**	**Loans Under Close Monitoring**
12 Month Expected Loss Provision	334,698	-	355,390	-
Significant increase in Credit Risk	-	913,971	-	836,214
Total	**334,698**	**913,971**	**355,390**	**836,214**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on loans: (continued)

c) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	**403,040**	**12,432,344**	**12,835,384**
Housing Loans	2,189	5,381,812	5,384,001
Vehicle Loans	8,575	386,672	395,247
General Purpose Loans	392,276	6,663,860	7,056,136
Other	-	-	-
Consumer Loans –Indexed to FC	**-**	**21,401**	**21,401**
Housing Loans	-	21,401	21,401
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC (**)	**-**	**32,489**	**32,489**
Housing Loans	-	6,591	6,591
Vehicle Loans	-	5,234	5,234
General Purpose Loans	-	20,664	20,664
Other	-	-	-
Individual Credit Cards-TL	**2,972,028**	**57,504**	**3,029,532**
With Installments	910,039	57,504	967,543
Without Installments	2,061,989	-	2,061,989
Individual Credit Cards-FC	**12,746**	**-**	**12,746**
With Installments	-	-	-
Without Installments	12,746	-	12,746
Personnel Loans-TL	**7,705**	**65,480**	**73,185**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	7,705	65,480	73,185
Other	-	-	-
Personnel Loans- Indexed to FC	**-**	**-**	**-**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**32,923**	**94**	**33,017**
With Installments	11,103	94	11,197
Without Installments	21,820	-	21,820
Personnel Credit Cards-FC	**254**	**-**	**254**
With Installments	-	-	-
Without Installments	254	-	254
Overdraft Accounts-TL(Real Persons) (*)	**561,299**	**-**	**561,299**
Overdraft Accounts-FC(Real Persons)	**2,578**	**-**	**2,578**
Total	**3,992,573**	**12,609,312**	**16,601,885**

(*) Overdraft accounts include personnel loans amounting to TL 4,420.

(**) Loans granted via branches abroad.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on loans: (continued)

c) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	**368,621**	**12,344,890**	**12,713,511**
Housing Loans	1,514	5,971,254	5,972,768
Vehicle Loans	8,649	403,124	411,773
General Purpose Loans	358,458	5,970,512	6,328,970
Other	-	-	-
Consumer Loans –Indexed to FC	**-**	**21,184**	**21,184**
Housing Loans	-	21,172	21,172
Vehicle Loans	-	-	-
General Purpose Loans	-	12	12
Other	-	-	-
Consumer Loans-FC (**)	**12**	**36,064**	**36,076**
Housing Loans	-	6,992	6,992
Vehicle Loans	-	6,639	6,639
General Purpose Loans	12	22,433	22,445
Other	-	-	-
Individual Credit Cards-TL	**2,681,027**	**43,729**	**2,724,756**
With Installments	807,930	43,729	851,659
Without Installments	1,873,097	-	1,873,097
Individual Credit Cards-FC	**9,541**	**-**	**9,541**
With Installments	-	-	-
Without Installments	9,541	-	9,541
Personnel Loans-TL	**7,220**	**62,445**	**69,665**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	7,220	62,445	69,665
Other	-	-	-
Personnel Loans- Indexed to FC	**-**	**-**	**-**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**32,513**	**82**	**32,595**
With Installments	10,064	82	10,146
Without Installments	22,449	-	22,449
Personnel Credit Cards-FC	**168**	**-**	**168**
With Installments	-	-	-
Without Installments	168	-	168
Overdraft Accounts-TL(Real Persons) (*)	**483,742**	**-**	**483,742**
Overdraft Accounts-FC(Real Persons)	**3,688**	**-**	**3,688**
Total	**3,586,532**	**12,508,394**	**16,094,926**

(*) Overdraft accounts include personnel loans amounting to TL 5,831.

(**) Loans granted via branches abroad.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on loans: (continued)

d) Information on commercial loans with installments and corporate credit cards:

Current Period	Short Term	Medium and Long Term	Total
Commercial Loans with Installment -TL	**1,039,526**	**10,976,474**	**12,016,000**
Business Loans	347	198,255	198,602
Vehicle Loans	22,290	582,037	604,327
General Purpose Loans	1,016,889	10,196,182	11,213,071
Other	-	-	-
Commercial Loans with Installment - Indexed to FC	**317**	**525,843**	**526,160**
Business Loans	317	8,191	8,508
Vehicle Loans	-	128,725	128,725
General Purpose Loans	-	388,927	388,927
Other	-	-	-
Commercial Loans with Installment - FC	**1,290**	**-**	**1,290**
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	1,290	-	1,290
Other	-	-	-
Corporate Credit Cards-TL	**1,507,682**	**-**	**1,507,682**
With Installments	392,767	-	392,767
Without Installments	1,114,915	-	1,114,915
Corporate Credit Cards-FC	**2,825**	**-**	**2,825**
With Installments	-	-	-
Without Installments	2,825	-	2,825
Overdraft Accounts-TL(Legal Entities)	**1,107,915**	**-**	**1,107,915**
Overdraft Accounts-FC(Legal Entities)	**-**	**-**	**-**
Total	**3,659,555**	**11,502,317**	**15,161,872**

Prior Period	Short Term	Medium and Long Term	Total
Commercial Loans with Installment -TL	**762,278**	**10,663,963**	**11,426,241**
Business Loans	97	254,815	254,912
Vehicle Loans	34,312	614,286	648,598
General Purpose Loans	727,869	9,794,862	10,522,731
Other	-	-	-
Commercial Loans with Installment - Indexed to FC	**4,407**	**740,855**	**745,262**
Business Loans	2,031	10,297	12,328
Vehicle Loans	48	236,460	236,508
General Purpose Loans	2,328	494,098	496,426
Other	-	-	-
Commercial Loans with Installment - FC	**236**	**-**	**236**
Business Loans	-	-	-
Vehicle Loans	3	-	3
General Purpose Loans	233	-	233
Other	-	-	-
Corporate Credit Cards-TL	**1,488,228**	**-**	**1,488,228**
With Installments	389,791	-	389,791
Without Installments	1,098,437	-	1,098,437
Corporate Credit Cards-FC	**2,289**	**-**	**2,289**
With Installments	-	-	-
Without Installments	2,289	-	2,289
Overdraft Accounts-TL(Legal Entities)	**1,277,559**	**-**	**1,277,559**
Overdraft Accounts-FC(Legal Entities)	**-**	**-**	**-**
Total	**3,534,997**	**11,404,818**	**14,939,815**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on loans: (continued)

e) Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	64,611,657	63,151,889
Foreign Loans	631,281	954,915
Total	**65,242,938**	**64,106,804**

f) Loans granted to subsidiaries and associates:

These amounts are eliminated in the consolidated financial statements.

g) Specific or non-performing loan (Stage 3) provisions for loans:

	Current Period	Prior Period
Loans and Receivables with Limited Collectability	320,124	329,331
Loans and Receivables with Doubtful Collectability	653,048	342,439
Uncollectible Loans and Receivables	1,116,977	986,410
Total	**2,090,149**	**1,658,180**

h) Information on non-performing loans (Net):

h.1) Information on loans and other receivables included in non-performing loans which are restructured or reschedule:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectable Loans and Receivables
Current Period			
Gross Amounts before Provisions	37,519	30,787	9,385
Restructured Loans	37,519	30,787	9,385
Prior Period			
(Gross Amounts before Specific Provisions)			
Restructured Loans and Other Receivables	26,606	15,968	6,684
Rescheduled Loans and Other Receivables	26,606	15,968	6,684

h.2) The movement of non-performing loans:

	III. Group	IV. Group	V. Group
Current Period	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectable Loans and Receivables
Prior Period End Balance	**699,709**	**670,305**	**1,404,730**
Additions (+)	1,237,833	95,994	129,780
Transfers from Other Categories of Loans under Follow-up (+)	-	1,216,272	513,484
Transfers to Other Categories of Loans under Follow-up (-) (**)	1,216,272	513,484	-
Collections (-)	99,473	142,471	151,892
Write-offs (-) (*)	4	18	107
Sold Portfolio (-) (*)	153	3,419	236,663
Corporate and Commercial Loans	113	3,295	140,948
Retail Loans	-	-	50,488
Credit Cards	40	124	45,227
Other	-	-	-
Current Period End Balance	**621,640**	**1,323,179**	**1,659,332**
Provision (-)	320,124	653,048	1,116,977
Net Balances on Balance Sheet	**301,516**	**670,131**	**542,355**

(*) TL 240,235 of the Parent Bank's non-performing loan portfolio for which TL 231,191 of provision held were sold for TL 12,401 in 2019. After completing all necessary procedures, sales fees has been collected and the related non-performing loans excluded from the records.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on loans: (continued)

h.3) Information on foreign currency non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectable Loans and Receivables
30 June 2019			
Current Period End Balance	48,726	42,595	240,360
Provision (-)	26,285	25,212	201,589
Net Balance on Balance Sheet	**22,441**	**17,383**	**38,771**
31 December 2018			
Prior Period End Balance	21,749	30,099	228,009
Specific Provision (-)	14,989	12,713	198,615
Net Balance on Balance Sheet	**6,760**	**17,386**	**29,394**

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

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	621,640	1,323,179	1,659,332
Provision (-)	320,124	653,048	1,116,977
Loans to Real Persons and Legal Entities (Net)	**301,516**	**670,131**	**542,355**
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	699,709	670,305	1,404,730
Specific Provision (-)	329,331	342,439	986,410
Loans to Real Persons and Legal Entities (Net)	**370,378**	**327,866**	**418,320**
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

h.5) Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period(Net)	**10,243**	**20,939**	**16,102**
Interest Accruals, Rediscounts and Valuation Differences	68,997	191,540	194,261
Provision Amount (-)	58,754	170,601	178,159
Prior Period (Net)	**13,322**	**18,468**	**5,838**
Interest Accruals, Rediscounts and Valuation Differences	70,640	102,720	97,595
Provision Amount (-)	57,318	84,252	91,757

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

7. Information on financial assets measured at amortized cost:

a) a.1) Information on financial assets subject to repurchase agreements and those given as collateral/blocked:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Equity Securities	-	-	-	-
Bond, Treasury bill and similar investment securities	1,108,641	108,070	-	-
Total	**1,108,641**	**108,070**	**-**	**-**

a.2) Information on financial assets measured at amortized cost and given as collateral / blocked:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Equity Securities	-	-	-	-
Bond, Treasury bill and similar investment securities	243,618	-	480,116	-
Other	-	-	-	-
Total	**243,618**	**-**	**480,116**	**-**

Unrestricted financial assets at amortized cost amounting to TL 2,729,706 (31 December 2018: TL 2,311,964).

a.3) Information on government debt securities measured at amortized cost:

	Current Period	**Prior Period**
Government Bonds	4,190,035	2,792,080
Treasury Bills	-	-
Other Government Debt Securities	-	-
Total	**4,190,035**	**2,792,080**

a.4) Information on financial assets measured at amortized cost:

	Current Period	**Prior Period**
Debt Securities	4,190,035	2,792,080
Quoted on a Stock Exchange	4,190,035	2,792,080
Unquoted	-	-
Impairment Provision(-)	-	-
Total	**4,190,035**	**2,792,080**

b) b.1) Movement of financial assets measured at amortized cost:

	Current Period	**Prior Period**
Beginning Balance	2,792,080	401,854
Foreign Currency Differences on Monetary Assets	-	-
Purchases during the Year (*)(**)(***)	1,397,955	2,682,111
Disposals Through Sales and Redemptions	-	(291,885)
Impairment Provision (-)	-	-
Closing Balance	**4,190,035**	**2,792,080**

(*) In the current period, the securities portfolio of the Chief Investment Office were transferred to the Asset-Liability Management and Treasury Group due to the change in the business model of the Bank management. During this transition, securities held as "Financial Assets at Fair Value through Other Comprehensive Income" amounting to TL 291,603 were classified as "Financial Assets Measured at Amortized Cost". After this reclassification, the valuation difference amounting to TL 20,141 has been reversed from equity.
(**) Includes rediscount amounts.
(***) The Bank has reviewed the marketable securities management model in the prior period in accordance with TFRS 9 and valued securities that are previously classified as available for sale and amounting to TL 1,969,425 which are measured at fair value, are valued at amortized cost, due to the collection of cash flows of the appropriate management model.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

8. Information on associates (Net):

a.1) Information on consolidated associates according to Communiqué on Preparing Banks' Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2018: None).

a.2) Information on the unconsolidated associates: None (31 December 2018: None).

a.3) Information on the consolidated associates: None (31 December 2018: None).

a.4) Valuation of consolidated associates: None (31 December 2018: None).

a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2018: None).

9. Information on subsidiaries (Net):

a) Information on shareholders' equity of significant subsidiaries:

	TEB Faktoring A.Ş.	TEB Yatırım Menkul Değerler A.Ş.	TEB Portföy Yönetimi A.Ş.
Paid-in Capital to be Entitled for Compensation after All Creditors	30,000	28,794	6,860
Reserves	81,666	45,776	6,898
Net income for the period and prior period income	29,521	40,280	4,420
Income/ Loss recognized under equity in accordance with TAS	-	-	(290)
Leasehold Improvements on Operational Leases (-)	308	177	-
Goodwill and intangible asset and the related deferred tax liability (-)	2,469	2,119	468
Total Common Equity Tier 1 Capital	**138,410**	**112,554**	**17,420**
General Provision	(2,389)	-	-
Total Equity	**136,021**	**112,554**	**17,420**

The Parent Bank has no capital requirements arising from its subsidiaries included in the Consolidated Capital Adequacy Standard Ratio

b) If there is any unconsolidated subsidiary, total equity amount that is lack of subjection to the reasonable justifications of non-consolidate and minimum capital requirements: None (31 December 2018: None).

c) Information on the unconsolidated subsidiaries: None (31 December 2018: None).

d) Information on the consolidated subsidiaries:

d.1) Information on the consolidated subsidiaries:

	Title	Address (City/Country)	Group's share percentage-If different voting percentage (%)	Other shareholders' share percentage (%)
1	TEB Faktoring A.Ş.	İstanbul/Türkiye	100.00	-
2	TEB Yatırım Menkul Değerler A.Ş.	İstanbul/Türkiye	96.62	3.38
3	TEB Portföy Yönetimi A.Ş.	İstanbul/Türkiye	25.60	29.14

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss (*)	Fair Value
1	1,695,268	141,187	2,289	105,058	-	18,483	17,595	-
2	189,132	114,850	3,204	25,051	-	15,420	15,184	-
3	25,027	17,888	749	2,074	78	2,078	1,838	-

(*) These figures are shown per BRSA financial statements as of 30 June 2018.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

9. Information on subsidiaries (Net): (continued)

d.2) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	124,424	122,918
Movements during the Period	(53)	1,506
Purchases	-	-
Bonus Shares Obtained	-	-
Share in Current Year Income	-	-
Sales	-	-
Revaluation Increase	(53)	1,506
Value Increase/(Decrease)	-	-
Balance at the End of the Period	**124,371**	**124,424**
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

d.3) Sectoral information on the consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies/TEB Faktoring A.Ş.	43,417	43,417
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries/TEB Yatırım Menkul Değerler A.Ş.	74,394	74,447
TEB Portföy Yönetimi A.Ş.	6,560	6,560
Total	**124,371**	**124,424**

The carrying amounts of the subsidiaries above have been eliminated in the consolidated financial statements.

d.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2018: None).

10. Information on entities under common control (Joint Ventures):

a) Information on entities under common control (joint ventures):

Entities under common control (joint ventures)	Share of the Parent Bank (%)	Share of the Group (%)	Current Asset	Non-current Asset	Long-term Receivable	Profit	Loss
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	0.1	33.3	64,326	42,538	10,543	102,244	(84,773)

b) Accounting method of the reasonable justification of unconsolidated in Joint Ventures that booked on the unconsolidated parent bank's financial statements.

The Parent Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., it is presented as joint venture in financial statements however, and it is carried by cost value since necessary requirements for consolidation is not met.

11. Information on financial lease receivables (Net): None (31 December 2018: None).

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

12. Positive differences related to derivative financial assets for hedging purposes

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Fair Value Hedge	-	13,261	-	-
Cash Flow Hedge	318,368	268	502,479	-
Foreign Net Investment Hedge	-	-	-	-
Total	**318,368**	**13,529**	**502,479**	**-**

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset.

As of 30 June 2019, valuation difference related to fair value hedge accounting is negative TL 140 .

According to cash flow hedges terminated by the Parent Bank, accumulated valuation differences as of 30 June 2019 amounted TL 20,576 (31 December 2018: TL 24,658) is recorded under equity and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

13. Information on investment property: None (31 December 2017: None).

14. Information on held for sale fixed assets and discontinued operations:

	Current Period	Prior Period
Beginning of Period Cost	109,104	90,677
Beginning of Period Accumulated Depreciation (-)	-	-
Net Book Value	**109,104**	**90,677**
Opening Balance	109,104	90,677
Acquired	70,507	109,037
Disposed (-)	56,504	88,923
Impairment (-)	3,756	1,687
Depreciation Value (-)	-	-
End of Period Cost	119,351	109,104
End of Period Accumulated Depreciation (-)	-	-
Closing Net Book Value	**119,351**	**109,104**

15. Information on Group's factoring receivables:

a) Maturity analysis explanation:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short Term(*)	830,522	841,174	812,323	890,663
Mid and Long Term	359	-	4,812	-
Stage 1 Provision (-)	974	163	623	251
Stage 2 Provision (-)	1,250	2	730	33
Stage 3 Provision (-)	56,138	4,272	55,116	4,140
Total	**772,519**	**836,737**	**760,666**	**886,239**

(*) Incudes factoring receivables amounting to TL 61,952 (31 December 2018: TL 64,694).

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

II. Explanations and Disclosures Related to the Consolidated Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year and Over	Accumulated Deposits	Total
Saving Deposits	2,268,128	-	10,380,097	10,468,687	337,774	92,684	157,084	-	23,704,454
Foreign Currency Deposits	7,746,326	-	7,666,112	14,911,804	143,554	84,142	108,275	-	30,660,213
Residents in Turkey	7,188,786	-	7,355,033	14,400,942	127,738	46,547	94,084	-	29,213,130
Residents Abroad	557,540	-	311,079	510,862	15,816	37,595	14,191	-	1,447,083
Public Sector Deposits	241,225	-	53,704	24,851	6,871	-	-	-	326,651
Commercial Deposits	3,067,291	-	2,578,203	2,644,648	126,608	101,822	195,230	-	8,713,802
Other Institutions Deposits	141,409	-	37,149	414,899	26,973	148	469	-	621,047
Precious Metals Deposits	626,122	-	34,957	633,809	31,970	161,722	-	-	1,488,580
Bank Deposits	23,874	-	265,864	-	-	-	-	-	289,738
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	44	-	-	-	-	-	-	-	44
Foreign Banks	23,830	-	265,864	-	-	-	-	-	289,694
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**14,114,375**	**-**	**21,016,086**	**29,098,698**	**673,750**	**440,518**	**461,058**	**-**	**65,804,485**

a.2) Prior period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year and Over	Accumulated Deposits	Total
Saving Deposits	1,843,615	-	7,064,993	12,635,918	2,592,790	347,412	135,942	-	24,620,670
Foreign Currency Deposits	6,086,368	-	5,702,852	13,314,064	362,293	219,166	168,175	-	25,852,918
Residents in Turkey	5,512,805	-	5,412,121	12,857,489	342,378	184,563	156,348	-	24,465,704
Residents Abroad	573,563	-	290,731	456,575	19,915	34,603	11,827	-	1,387,214
Public Sector Deposits	336,258	-	60,453	70,442	29,249	-	-	-	496,402
Commercial Deposits	2,671,519	-	1,752,908	3,147,808	820,947	255,150	388,716	-	9,037,048
Other Institutions Deposits	111,946	-	55,337	1,230,038	235,821	951,051	111,587	-	2,695,780
Precious Metals Deposits	507,192	-	34,816	512,511	32,089	95,628	-	-	1,182,236
Bank Deposits	47,697	-	227,383	-	-	-	-	-	275,080
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	21	-	-	-	-	-	-	-	21
Foreign Banks	17,495	-	227,383	-	-	-	-	-	244,878
Special Financial Institutions	30,181	-	-	-	-	-	-	-	30,181
Other	-	-	-	-	-	-	-	-	-
Total	**11,604,595**	**-**	**14,898,742**	**30,910,781**	**4,073,189**	**1,868,407**	**804,420**	**-**	**64,160,134**

b) Information on saving deposits under the guarantee of saving deposit insurance:

b.1) Saving deposits exceeding the limit of insurance:

i) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

Saving Deposits	**Under the Guarantee of Insurance(*)**		**Exceeding the Limit of Insurance(*)**	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Saving Deposits	12,182,067	11,576,580	11,120,188	12,344,862
Foreign Currency Saving Deposits	4,955,235	3,449,885	14,103,584	11,524,532
Other Deposits in the Form of Saving Deposits	335,449	271,856	1,008,659	764,746
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-	-	-
Total	**17,472,751**	**15,298,321**	**26,232,431**	**24,634,140**

(*) According to the BRSA's circular no 1584 dated on 23 February 2005, accruals are included in the saving deposit amounts

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

b) Information on saving deposits under the guarantee of saving deposit insurance: (continued)

b.1) Saving deposits exceeding the limit of insurance: (continued)

ii) Deposit of real persons not under the guarantee of saving deposit insurance:

	Current Period	Prior Period
Foreign Branches' Deposits and Other Accounts	628,048	590,915
Deposits of Controlling Shareholders and Their Close Families	2,202,395	1,393,010
Deposits of Chairman and Members of the Board of Directors and Their Close Families	55,464	58,066
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	-	-

2. Information on derivative financial liabilities:

a) Negative differences related to derivative financial liabilities held-for-trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	92,472	30,351	149,769	37,072
Swap Transactions	1,484,560	39,661	2,014,755	28,648
Futures Transactions	-	91	-	-
Options	26,683	5,326	134,174	5,119
Other	-	-	-	6,265
Total	**1,603,715**	**75,429**	**2,298,698**	**77,104**

3. Information on funds borrowed and debt securities issued:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds Borrowed from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	533,478	518,824	289,767	608,951
From Foreign Banks, Institutions and Funds	410,008	10,659,206	510,077	11,788,843
Total	**943,486**	**11,178,030**	**799,844**	**12,397,794**

As of 30 June 2019 the Group has borrowings from its related parties amounting to TL 5,335,780 (31 December 2018: TL 5,894,369).

b) Maturity analysis of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	943,486	6,889,642	799,844	8,115,225
Medium and Long-term	-	4,288,388	-	4,282,569
Total	**943,486**	**11,178,030**	**799,844**	**12,397,794**

4. Explanations on debt securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2,866,435	-	526,592	-
Treasury Bills	-	-	-	-
Total	**2,866,435**	**-**	**526,592**	**-**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

5. Other external funding payables which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total

Other external funding payables amounting to TL 700,945 (31 December 2018: TL 1,806,383) do not exceed 10% of the total balance sheet.

6. Explanations on financial lease obligations (Net):

With the "TFRS 16 Leases" standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease has been removed and the lease transactions are started to be recognised under "Tangible Fixed Assets" as a right of use and under "Liabilities from Leasing" as a liability. Impact and application of TFRS 16 concerning the transition were explained in Section three, footnote XXVI.

7. Negative differences table of derivative financial liabilities for hedging purposes:

	Current Period		**Current Period**	
	TL	**FC**	**TL**	**FC**
Fair Value Hedge	4,329	-	-	-
Cash Flow Hedge	786,619	10,171	384,325	4,857
Foreign Net Investment Hedge	-	-	-	-
Total	**790,948**	**10,171**	**384,325**	**4,857**

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset. As of 30 June 2019, valuation difference in the related fair value hedge accounting balance is negative TL 140.

According to cash flow hedges terminated by the Parent Bank, accumulated valuation differences as of 30 June 2019 amounted TL 20,576 (December 2018: TL 24,658) is recorded under equity as of 30 June 2018 and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

8. Information on provisions:

a) Foreign exchange provision on the foreign currency indexed loans and financial lease receivables: Foreign exchange losses on the foreign currency indexed loans is offset from the loans on the balance sheet: None. (31 December 2018: None)

b) The specific provisions provided for unindemnified non-cash loans or expected credit loss for non-cash loans:

	Current Period	**Prior Period**
Provisions for First Group	50,228	50,741
Provisions for Second Group	122,082	104,221
Provisions for Third Group	49,469	47,697
Total	**221,779**	**202,659**

c) Liabilities on unused vacation, bonus, health and employee termination benefits:

As of 30 June 2019, TL 34,125 (31 December 2018: TL 14,506) unused vacation provision, TL 190,246 (31 December 2018: TL 179,934) employee termination benefit provision, TL 106,898 (31 December 2018: TL 155,034) bonus provision are presented under "Reserve for Employee Benefit" in financial statements.

d) Information on other provisions:

	Current Period	**Prior Period**
Provision for Legal Cases	51,092	66,777
Provision for Non-cash Loans	221,779	202,659
Provision for Promotions of Credit Cards and Banking Services	12,883	12,622
Other	45,200	50,696
Total	**330,954**	**332,754**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

9. Explanations on taxes payable:

a) Information on current tax liability:

	Current Period	Prior Period
Corporate Tax Payable	343,590	100,978
Taxation on Securities	107,015	76,902
Property Tax	2,629	2,379
Banking Insurance Transaction Tax (BITT)	65,411	74,628
Foreign Exchange Transaction Tax	3,302	39
Value Added Tax Payable	1,055	4,901
Other (*)	23,850	23,373
Total	**546,852**	**283,200**

(*) Others include income taxes deducted from wages amounting to TL 18,922 (31 December 2018: 17,756) and stamp taxes payable amounting to TL 1,377 (31 December 2018: 1,693).

b) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	31,839	8,029
Social Security Premiums-Employer	11,028	8,862
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	2
Pension Fund Membership Fees and Provisions-Employer	-	2
Unemployment Insurance-Employee	834	684
Unemployment Insurance-Employer	1,388	1,133
Other	-	-
Total	**45,089**	**18,712**

c) Explanations on deferred tax liabilities, if any: The Group does not have any deferred tax liability of the Group as of 30 June 2019 (31 December 2018: None).

10. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

	Prior Period	Current Period
Common Stock	2,204,390	2,204,390
Preferred Stock		-

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank if so amount of registered share capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered Capital System	2,204,390	-

c) Information on share capital increases and their sources and other information on increased capital shares in current period: None.

d) Information on share capital increases from revaluation funds: None.

e) Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments: None.

f) Indicators of the Parent Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions due to the uncertainty of these indicators on the Parent Bank's equity:

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

The income diversified with various business line and related channels/products/sectors, supported with different projects result a sustainable and relatively non-volatile profitability. Besides, interest rate, currency rate and liquidity risk under control are testing with various simulation and these test prevents the risks of effect. The profitability of the bank is followed up and estimated by the Parent Bank's Planning and Performance Management in short and long term. It is also reported to Asset-Liability Committee and other related organs. As result, current and future negative effect on equity is not occurred and expected.

g) Information on preferred shares: None.

h) Information on marketable securities valuation differences:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference	(62,744)	(1,515)	(131,408)	(8,323)
Foreign Exchange Difference	-	-	-	-
Total	**(62,744)**	**(1,515)**	**(131,408)**	**(8,323)**

11. Information on minority interest: As of 30 June 2019, part of the group equity that belongs to minority shares is TL 8,096 (31 December 2018: TL 8,589).

12. Information on factoring liabilities: As of 30 June 2019 group has factoring debt of TL 10,522 (31 December 2018: TL 7,961).

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Items

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Asset Purchase and Sale Commitments	11,932,342	3,128,940
Commitments for Credit Card Expenditure Limits	7,288,814	6,093,650
Loan Granting Commitments	4,781,126	4,402,209
Payment Commitment for Checks	2,026,232	1,681,617
Time Deposits Purchase and Sale Commitments	-	603,610
Tax and Fund Liabilities from Export Commitments	55,368	54,955
Commitments for Promotions Related with Credit Cards and Banking Activities	5,215	4,357
Other Irrevocable Commitments	418,667	110,938
Total	**26,507,764**	**16,080,276**

b) Possible losses and commitments related to off-balance sheet items:

The Group, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits:

	Current Period	Prior Period
Letters of Credit	2,953,977	2,691,811
Bank Acceptances	21,797	34,672
Other Commitments	4,864,173	4,838,088
Other Contingencies	1,456,437	1,033,453
Total	**9,296,384**	**8,598,024**

b.2) Guarantees, surety ships, and similar transactions:

	Current Period	Prior Period
Guarantee Letters	10,021,319	9,801,321
Advance Guarantee Letters	1,731,156	1,681,247
Temporary Guarantee Letters	539,615	519,302
Guarantee Letters Given for Customs	452,427	386,289
Other Guarantee Letters	1,760,999	1,683,346
Total	**14,505,516**	**14,071,505**

c) Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans Given Against Achieving Cash Loans	1,761,825	1,684,317
With Maturity of One Year or Less Than One Year	197,210	268,524
With Maturity of More Than One Year	1,564,615	1,415,793
Other Non-Cash Loans	22,040,075	20,985,212
Total	**23,801,900**	**22,669,529**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV. Explanations and Disclosures Related to the Consolidated Statement of Income

1. Explanations on Interest Income

a) Information on interest income on loans:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Interest income on loans (*)				
Short Term Loans	2,472,287	186,596	1,782,012	111,781
Medium and Long Term Loans	2,539,838	142,154	2,220,520	158,169
Interest on Loans under Follow-Up	152,888	-	76,890	628
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	**5,165,013**	**328,750**	**4,079,422**	**270,578**

(*) Includes fees and commissions obtained from cash loans amounting to TL 91,991(30 June 2018: TL 52,109)

b) Information on interest income on banks:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
The Central Bank of Turkey	-	17,473	-	5,918
Domestic banks	44,433	697	61,122	1,429
Foreign Banks	12,356	41,791	5,161	9,001
Branches and Head Office Abroad	-	-	-	-
Total	**56,789**	**59,961**	**66,283**	**16,348**

c) Information on interest income on marketable securities portfolio

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Financial Assets Valued at Fair Value Through Profit or Loss	58,889	10,405	58,649	6,657
Financial Assets at Fair Value Through Other Comprehensive Income	137,657	20,798	186,311	2,450
Financial Assets at Amortized Cost	262,528	12,673	165,477	-
Total	**459,074**	**43,876**	**410,437**	**9,107**

d) Information on interest income on associates and subsidiaries:

These amounts are eliminated in the consolidated financial statements.

2. Explanations on Interest Expense

a) Information on interest expense on funds borrowed (*):

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks				
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	39,960	10,068	11,755	5,795
Foreign Banks	34,963	239,398	53,922	178,208
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	**74,923**	**249,466**	**65,677**	**184,003**

(*) Includes fees and commissions related to cash loans amounting to TL 13,045 (30 June 2018: TL 8,905).

b) Information on interest expense on associates and subsidiaries:

These amounts are eliminated in the consolidated financial statements.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV. Explanations and Disclosures Related to the Consolidated Statement of Income (continued)

2. Explanations on Interest Expense (continued)

c) Information on interest expense on securities issued:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Interest Expense on securities issued	242,208	-	132,477	100
Total	**242,208**	**-**	**132,477**	**100**

d) Distribution of interest expense on deposits based on maturity of deposits:

Current Period:

Account Name	Demand Deposit	Time Deposit: Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulated Deposits	Total
TL								
Bank Deposits	-	19,234	-	-	-	-	-	19,234
Saving Deposits	9	809,871	1,143,277	113,578	29,656	14,263	-	2,110,654
Public Sector Deposits	-	3,530	2,837	1,581	-	-	-	7,948
Commercial Deposits	235	238,917	327,062	41,728	23,087	29,996	-	661,025
Other Deposits	-	4,031	116,484	12,330	73,974	4,828	-	211,647
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**244**	**1,075,583**	**1,589,660**	**169,217**	**126,717**	**49,087**	**-**	**3,010,508**
FC								
Foreign Currency Deposits	-	52,502	182,210	3,710	3,808	2,655	-	244,885
Bank Deposits	-	6,913	-	-	-	-	-	6,913
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	328	6,649	386	2,338	-	-	9,701
Total	**-**	**59,743**	**188,859**	**4,096**	**6,146**	**2,655**	**-**	**261,499**
Grand Total	**244**	**1,135,326**	**1,778,519**	**173,313**	**132,863**	**51,742**	**-**	**3,272,007**

Prior Period:

Account Name	Demand Deposit	Time Deposit: Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulated Deposits	Total
TL								
Bank Deposits	-	5,934	-	-	-	-	-	5,934
Saving Deposits	9	293,961	943,693	45,854	6,760	1,648	-	1,291,925
Public Sector Deposits	-	1,145	13,152	881	-	-	-	15,178
Commercial Deposits	2	137,321	363,261	56,502	26,048	6,096	-	589,230
Other Deposits	-	2,425	44,263	22,481	157,250	9,801	-	236,220
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**11**	**440,786**	**1,364,369**	**125,718**	**190,058**	**17,545**	**-**	**2,138,487**
FC								
Foreign Currency Deposits	5	32,388	211,942	3,038	1,108	1,283	-	249,764
Bank Deposits	-	7,694	-	-	-	-	-	7,694
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	185	3,703	338	960	-	-	5,186
Total	**5**	**40,267**	**215,645**	**3,376**	**2,068**	**1,283**	**-**	**262,644**
Grand Total	**16**	**481,053**	**1,580,014**	**129,094**	**192,126**	**18,828**	**-**	**2,401,131**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV. Explanations and Disclosures Related to the Consolidated Statement of Income (continued)

3. Information on trading gain/loss:

	Current Period	Prior Period
Gain	**20,982,922**	**20,162,802**
Gains on capital market operations	205,894	73,226
Gain on derivative financial instruments [1]	10,108,327	7,508,374
Foreign exchange gains	10,668,701	12,581,202
Losses (-)	**21,155,095**	**20,486,158**
Loses on capital market operations	172,555	156,393
Loses on derivative financial instruments [1]	10,119,893	5,751,677
Foreign exchange losses	10,862,647	14,578,088

(1) Foreign exchange gain on hedging transactions is TL 7,489 (30 June 2018: Tl 158,425) and foreign exchange gains on derivative financial transactions are TL 308,649 (30 June 2018: TL 38,517).

4. Information on other operating income:

Other operating income of the Group mainly consists of all transaction costs collected from clients and disposal of assets.

5. Provision expenses of banks for loans and other receivables:

Expected Credit Losses and Other Provisions:

	Current Period	Prior Period
Expected Credit Losses	707,786	388,316
12-Month ECL (Stage 1)	(25,209)	65,463
Significant Increase in Credit Risk (Stage 2)	71,921	14,897
Impaired Credits(Stage 3)	661,074	307,956
Impairment Losses on Securities	-	-
Financial Assets Measured at Fair Value through Profit or Loss	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Impairment Losses on Associates, Subsidiaries and Joint Ventures	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Others	(450)	567
Total	**707,336**	**388,883**

6. Information on other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits [1]	10,050	10,759
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	111,193	40,038
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Depreciation expenses of intangible assets	33,295	28,873
Impairment for investments accounted with equity method	-	-
Impairment expenses of assets to be disposed	3,756	818
Depreciation expenses of assets to be disposed	-	-
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	477,954	473,313
Rent expenses Related to IFRS16 Exemptions [2]	29,768	121,291
Maintenance expenses	12,715	10,300
Advertisement expenses	33,418	39,550
Other expenses	402,053	302,172
Loss on sales of assets	7,218	754
Other [3]	150,250	109,616
Total	**793,716**	**664,171**

(1) The provision for employment termination benefits is included in the personnel expenses item in the financial statements.
(2) 30 June 2018 amounts denotes all operating lease expenses.
(3) Includes TL 57,662 (30 June 2018: TL 40,274) in other premiums paid to the Saving Deposit Insurance Fund, TL 75,042 (30 June 2018: TL 45,606) is other taxes and duties paid.

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV. Explanations and Disclosures Related to the Consolidated Statement of Income (continued)

7. Information on tax provision for continued and discontinued operations:

a) As of 30 June 2019, continuing operations' current tax charge is TL 346,498 (30 June 2018: TL 97,644 tax charge) and deferred tax income is TL 161,842 (30 June 2018: TL 112,152 deferred tax charge). As of 30 June 2019, there is no current tax charge/benefit from discontinued operations, and there is no deferred tax charge/benefit from discontinued operations. (30 June 2018: None).

b) As of 30 June 2019, deferred tax charge on temporary differences resulted from continuing operations is TL 161,842 (30 June 2018: TL 112,152 deferred tax charge).

c) Tax reconciliation:

	Current Period	Prior Period
Profit Before Taxes	**831,523**	**949,677**
Additions	**49,348**	**35,262**
Nonallowable	14,931	24,217
The Effect of Different Tax Rates	33,346	10,703
Other	1,071	342
Deductions	**(42,258)**	**(22,495)**
Dividend Income	(3,736)	66
Other	(38,522)	(22,561)
Profit/Loss	**838,613**	**962,444**
Rate of Corporation Tax	22%	22%
Calculated Tax	**184,495**	**211,738**
Prior Year Tax Correction	161	(1,942)
Tax Charge	**184,656**	**209,796**

8. The explanations on net income/loss for the period:

a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Parent Bank's performance for the period: None (30 June 2018: None).

b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (30 June 2018: None).

c) Profit/loss attributable to minority interest:

	Current Period	Prior Period
Minority interest profit/loss (*)	941	832

(*) Minority interest accounted under shareholders' equity is TL 13 (30 June 2018: TL 70 loss).

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV. Explanations and Disclosures Related to the Consolidated Statement of Income (continued)

9. If the other items in the income statement exceed 10% of the income statement total accounts amounting to at least 20% of these items:

	Current Period	Prior Period
Other Interest Income		
Interest Received from Factoring Transactions	104,937	105,613
Other	11,730	2,149
Total	**116,667**	**107,762**

	Current Period	Prior Period
Other Fees and Commissions Received		
Credit Fee and Comissions	661,855	410,380
Periodic Service Commission	94,575	73,216
Insurance Commissions	81,612	78,401
Brokerage Commissions	28,617	32,393
Settlement Expense Provision, Eft, Swift, Agency Commissions	24,270	21,142
Funds Management Fees	21,322	20,108
Transfer Commissions	20,685	12,270
Consultancy Commission	3,266	3,432
Commissions and Fees Earned from Correspondent Banks	2,193	1,765
Intelligence Fee and Commissions	443	30,206
Other	117,635	131,411
Total	**1,056,473**	**814,724**
Other Fees and Commissions Given		
Credit Cards Commissions and Fees	348,242	183,309
Commissions and Fees Paid to Correspondent Banks	33,574	28,013
Settlement Expense Provision, Eft, Swift, Agency Commissions	12,751	11,158
Other	42,816	38,359
Total	**437,383**	**260,839**

V. Explanations and Disclosures Related to Risk Group of the Parent Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

Balance sheet items of previous periods are presented as of 31 December 2018 and income/expense items of previous periods are presented as of 30 June 2018.

a) Current Period:

Related Parties	Subsidiaries, Associates and Entities under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of Period	-	-	75,725	260,569	423,513	20,136
Balance at End of Period	-	-	854,260	462,527	450,208	132,933
Interest and Commission Income	-	-	23,246	1,042	7,325	806

Direct and indirect shareholders of the Group balance above includes TL 801,504 and other entities included in the risk group balance above includes TL 388,157 placement in "Banks".

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. Explanations and Disclosures Related to Risk Group of the Parent Bank (continued)

b) Prior Period:

Related Parties	Subsidiaries, Associates and Entities under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at Beginning of period	-	-	171,573	301,623	375,636	134,644
Balance at End of Period	-	-	75,725	260,569	423,513	20,136
Interest and Commission Income	-	-	4,141	416	2,983	132

Direct and indirect shareholders of the Group balance above includes TL 56,205 and other entities included in the risk group balance above includes TL 281,315 placement in "Banks".

c) c.1) Information on related party deposits balances:

Related parties	Subsidiaries, Associates and Entities under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
Deposits	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Balance at Beginning of Period	-	-	1,497,789	1,524,306	1,055,942	756,839
Balance at End of Period	-	-	1,937,339	1,497,789	1,157,536	1,055,942
Interest on Deposits	-	-	41,359	36,932	54,232	31,556

c.2) Information on forward and option agreements and other similar agreements made with related parties:

Related Parties	Subsidiaries, Associates and Entities under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Assets at Fair Value Through Profit or Loss						
Beginning of Period	-	-	28,512,967	35,229,756	1,210,586	655,880
End of Period	-	-	29,930,097	28,512,967	913,846	1,210,586
Total Profit/Loss	-	-	737,992	256,294	(20,594)	(21,798)
Hedging Transactions Purposes						
Beginning of Period	-	-	17,581,390	12,113,184	-	-
End of Period	-	-	17,648,505	17,581,390	-	-
Total Profit/Loss	-	-	(442,628)	387,868	-	-

d) As of 30 June 2019, the total amount of remuneration and fees provided for the senior management of the Group is TL 30,534 (30 June 2018: TL 26,278).

VI. Explanations on Significant Events and Matters Arising Subsequent to Balance Sheet Date

On 18 July 2019, Nicolas de Baudinet de Courcelles was assigned as Chairman of the Audit Committee, replacing Jacques Roger Jean Marie Rinino.

International credit rating agency Fitch has lowered Turkey's country note to "BB-" level on 12 July 2019, after that the agency revised the Bank's Long Term Foreign Currency, Long Term Turkish Lira and support ratings one notch down on 19 July 2019. The agency affirmed the Short-Term Foreign Currency and Short-Term Turkish Lira ratings.

On 22 July 2019, the Bank has issued Tier II capital instrument with a nominal value of EUR 100,000 and 10 years maturity.

The Board of Directors has decided to liquidate "Stichting TEB Diversified Payment Rights" and "TEB Diversified Payment Rights S.A." that have been established for the issuance of the securities based on cash flow arising from foreign transfers on 23 July 2019.

On 25 July 2019, it has been approved by the Capital Markets Board of Turkey that TEB Portföy Yönetimi A.Ş. and ING Portföy Yönetimi A.Ş. will be merged in accordance with Articles 155 and 156 of the Turkish Commercial Code by TEB Portföy Yönetimi A.Ş. taking over all assets and liabilities of ING Portföy Yönetimi A.Ş.

SECTION SIX

INDEPENDENT AUDITOR'S REVIEW REPORT

I. Explanations on the Independent Auditor's Review Report

The consolidated financial statements have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The audit report dated 31 July 2019 is presented preceding the consolidated financial statements.

II. Other Footnotes and Explanations Prepared by Independent Auditors

None.

SECTION SEVEN (*)

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim Period Reports Included Chairman Of The Board of Directors and CEO's of the Parent Bank Assessments For The Interim Activities

A. Chairman of Board of Directors and CEO's of the Parent Bank Assessments for The Interim Activities

Chairman of Board of Director's Message

Valued stakeholders,

During the second quarter of 2019 all eyes were on US-Chinese trade talks, G-20 meetings in Japan, and Fed announcements. Markets were heartened by the positive messages that emerged from the G-20 summit and by the efforts that were made to bring China and the US closer to a trade deal.

The downside risks that posed increasingly greater problems for global growth prompted countries' central banks to make changes in their monetary policy stances. From the minutes of the Fed's June 2019 meeting it was understood that the bank intended to be "patient" on the matter of increasing interest rates and there were even signals that there might be a rate cut in July. European Central Bank president Mario Draghi for his part indicated that monetary expansion might be on the agenda if low levels of inflation and manufacturing output figures in the euro area made it necessary.

Such pronouncements by both the Fed and the ECB nourished markets' appetite for risk and that in turn benefitted the world's emerging markets (EM): during the second quarter of 2019, portfolio inflows to EM amounted to USD 71.8 billion.

Suffering from weak domestic demand and from reductions in both imports and investment, the Turkish economy shrank by 2.6% in the first quarter of 2019. According to balance of payments and trade ministry figures, first-quarter exports were up by 4.8% but imports were down by 20.2% as compared with the same period of the previous year. In 2019 Q2, Turkey's export performance slipped slightly (down by 1.9%) while at -17.5%, the quarter's decline in imports slowed just a bit. The partial recovery in 2019 Q2 imports combined with the arrival of tourism revenues on the scene helped continue to close Turkey's current account deficit. In 12 month rolling basis, the current account deficit shrank from USD 57.9 billion in May 2018 to just USD 2.4 billion in May 2019.

Turning now to the national budget: 2019 Q2 budget outlays were up by 20.5% as compared with 2018 Q2 but there was only 14% rise in budget revenues. Budget expenditures were higher than anticipated owing to local elections in March and re-run of Istanbul mayoral elections in June. That said, the TL 78.5 billion budget deficit in the first six months of 2019 was within hailing distance of the TL 80.6 billion target for the whole year, announced in the government's New Economic Program.

What with uncertainties being fueled by local elections extending well into June, the Turkish lira struggled and lost value while the credit default swap risk premium took off. After reaching 521 basis points in May, the CDS premium subsided to 399 basis points by the end of June with the alleviation of election-related jitters. the second quarter portfolio outflows from TRY denominated government bonds reached USD900mln, bringing total outflows from TRY assets to USD1bn. Having borrowed a net USD 5.1 billion worth of fx-denominated bonds (Eurobonds) in the first quarter of 2019, Treasury reversed to net payer position with USD1.25bn net fx debt repayment.

There was a clear decline in both headline and core inflation in first-half 2019, mainly due to slowdown in economic activity. Twelve-month inflation, which was at 20.35% at year-end 2018, was down to 15.72% six months later in June 2019. Forecasting significant improvement in inflation outlook, CBRT is expected to cut rates in the second-half of this year, from the current level of 24%.

A. Chairman of Board of Directors and CEO's of the Parent Bank Assessments for The Interim Activities (Continued)

Chairman of Board of Director's Message (Continued)

Just as always–but especially during periods of turbulence that present both risks and opportunities–TEB's goal is to put its knowledge and experience to work in order to support profitable and productive growth and to create value for all of its stakeholders.

Yours respectfully,
Yavuz Canevi

(*) Amounts in section seven expressed in full Turkish Lira ("TL") amount unless otherwise stated.

A. Chairman of Board of Directors and CEO's of the Parent Bank Assessments for The Interim Activities (Continued)

CEO's Message

In the six months to 30 June 2019, Türk Ekonomi Bankası's (TEB) total consolidated assets increased by 5% and reached TL 103.2 billion while its net profit amounted to TL 646.9 million. Loans, which are the most important indicator of its support for its customers and the national economy, accounted for 65% of the group's total assets.

Giving importance to risk management and asset quality as it always does, TEB's total lendings in the first half-year of 2019 were worth TL 67.1 billion while its total deposits grew by 3% and reached TL 65.8 billion during the same period. Continuing to maintain solid growth with a strong capital structure, TEB's shareholders' equity reached TL 9.9 billion as of the end of the first six months of 2019 while the group's 16.42% capital adequacy ratio was well above the targeted 12% figure. The group's NPL ratio as of the same date was 5.2%.

TEB SME Banking continues to marshal all of its resources on behalf of a stronger national economy and export trade. Under an agreement which the bank has signed with the Turkish Exporters Assembly (TİM), TEB offers TİM members not only atractively-priced export-finance FX credit on terms of up to a year but also advantageous rates on their FX trading at the bank. Besides its financing support, TEB SME Banking also helps exporters boost their competitive strength in foreign markets by providing them with foreign trade Training and also with free consultancy services when dealing with many issues. Under the TEB-TİM agreement, until end-2019 the assembly's members also have no-charge access to the online foreign trade platform located at www.tebledisticaret.com. This is a specialized international trade guide that TEB has set up for exporters.

For customers who keep their savings in Turkish liras, TEB has introduced two new alternatives in the form of its "Inflation-indexed TL-based fixed-term deposit" and its "Inflation-protected TL-based fixed-term deposit" products. These accounts, which are offered with terms of between three and twelve months (inclusive), expand the range of options that customers have to save while securing returns that are not eroded by inflation. Designed with features to appeal even to modest investors such as a minimum balance of TL 10,000, these products are attracting the attention of TL deposit account owners.

Having designed its "TEB Marifetli Account" for investors who want to put their fixed-term savings to work on a day-to-day basis without incurring early-withdrawal penalties, TEB continues to expand the scope of such services by adding new features to the product. With its innovative "45+45 Day Campaign", whose theme is "With a TEB Marifetli Account anyone can save", accountholders who take part in the campaign by increasing their use of other TEB products during their account's 'welcome period' become entitled to a second 'welcome period' and also have a chance to earn extra returns above the introductory rate in effect at the time. The attractiveness of this feature to savers who want to increase their savings is one reason why both the number and the total volume of TEB Marifetli Account continue to grow.

Believing that one prerequisite for being a country with a high level of financial awareness is to identify and regularly quantify the overall level of financial literacy among the public at large, for the last six years TEB has been working with Boğaziçi University in the conduct of a "Financial Literacy & Inclusion Index" whose aim is to determine how much progress is being made in the direction of improving financial literacy and the degree to which people have access to financial products and services. According to the results of the 2018 survey, Turkey's Financial Literacy Index weighs in at 61.5/100 and its Financial Access Index is 47/100. The 2018 survey shows that consumers are making increasingly greater use of financial services and that both men and women are becoming increasingly more financially literate. Through TEB Family Academy, which was introduced in 2012 and which has been focusing on thrift and financial literacy ever since, the group continues to contribute to greater awareness of the importance of thrift and to the spread of financial literacy in all segments of society.

A. Chairman of Board of Directors and CEO's of the Parent Bank Assessments for The Interim Activities (Continued)

CEO's Message (Continued)

TEB continues its efforts to support the culture of innovation, to encourage entrepreneurship, and to help people transform innovative business ideas into economic value. For six years now, TEB Startup Business Banking has been encouraging young people to be innovative and enterprising. Inspired by kids' love of new things and their potential for innovation and recognizing also that today's youngsters are tomorrow's entrepreneurs, TEB launched its "Little Makers on the Job" project in order to support the spread of the 'maker movement' throughout the country.

Launched two years ago with the slogan "Today's young makers are tomorrow's adult entrepreneurs!", TEB provided maker training to 551 schoolchildren through the project. In the first half of 2019, the bank enabled another thousand kids in the 8-12 age group to make their first forays into the world of innovation. Because one goal of this year's project was to give youngsters living outside the country's biggest cities the same opportunities of advancement, the 2019 "Little Makers on the Job" project was conducted in state schools in the provinces of Hatay, Antalya, Muğla, Ankara, Ordu, Samsun, Van, Diyarbakır, Mardin, and Kars.

Introduced to provide both financial and non-financial services that make it easier for women to have access to finance, information, coaching, mentoring, and market resources, TEB Women's Banking provides women who operate and/or own SMEs not just with financial solutions but also with training & development programs and support to help them grow their businesses. The success of these efforts was recently acknowledged by a gold award that was received from the European Bank for Reconstruction and Development. In a field of 53 contending projects from around the world, TEB Women's Banking placed first and brought home the top prize in the "Environmental & Social Innovation" category.

In conjunction with the observance of World Pensioners Day (30 June), TEB organized a campaign for pensioners in which it continued to offer perks to Social Security Corporation (SGK) retirees who have their monthly pensions paid through the bank. Distinguishing itself in the sector with its offering of bonuses up to TL 1,000 to pensioners who transfer their SGK account to the bank, TEB has also set up a separate customer service line for such customers. Just like those using TEB online banking services, pensioners calling on this line are charged no fees to transfer sums of money. Other pensioner-focused TEB products and services include priority at the group's branches, specially-priced general-purpose loans with the option to defer repayment for the first three months, attractive interest rates on their Ingenious Account deposits, and higher limits on their ATM withdrawals. TEB also pays a TL 100 bounty to customers who encourage their friends and relatives to sign up for TEB Pensioner Banking

Having been supporting SMEs for fourteen years through its "Consultant Bank" approach, TEB made a new addition to its lineup of innovative products with the introduction of three different bank charge packages specially designed to meet the needs of such businesses. Dubbed "Micro", "Macro", and "Foreign Trade" packages, SMEs that elect one of these products benefit from advantageous bank charges for a whole year without having to pay any other fees. These packages are available to SMEs with annual turnovers of up to TL 25 million.

Yours respectfully,

Ümit Leblebici

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

B. Shareholding Structure

As of 30 June 2019;

	2,204,390,000.00 TL Paid in Capital	
Name of Shareholders	**Share**	**Ratio**
TEB Holding A.Ş.	1,212,414,500.002	55.0000%
BNPP Yatırımlar Holding A.Ş.	518,342,498.520	23.5141%
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879,148.835	21.2249%
BNP Paribas SA	5,253,352.000	0.2383%
Kocaeli Chamber of Commerce	500,500.643	0.0227%
Total	**2,204,390,000.00**	**100.00%**

C. Management And Corporate Governance Practices

The Chairman and the Members of Board of Directors

Name	Title
Yavuz Canevi	Chairman of the Board of Directors
Dr. Akın Akbaygil	Deputy Chairman of the Board of Directors
Jean Paul Sabet	Deputy Chairman of the Board of Directors
Ayşe Aşardağ	Member of the Board of Directors and Vice Chairman of the Audit Committee
François Andre Jesualdo Benaroya	Member of the Board of Directors and
Yvan L.A.M. De Cock	Member of the Board of Directors and Audit Committee
Sabri Davaz	Member of the Board of Directors and Audit Committee
Xavier Henri Jean Guilmineau	Member of the Board of Directors
Özden Odabaşı	Member of the Board of Directors
Jacques Roger Jean Marie Rinino	Member of the Board of Directors and Chairman of the Audit Committee
Nicolas de Baudinet de Courcelles	Member of the Board of Directors
Ümit Leblebici	Executive Member and General Manager

Information on Participation of Board Members and Committee Members into Respective Meetings
As of 30 June 2019 the Board of Directors have accepted 106 resolutions and Audit Committee 24 resolutions. The Board Members and Committee Members have participated into respective meetings at sufficient levels.

Executive Management
General Manager, Assistant General Managers and Their Responsibilities in the Bank

Name	Title
Ümit Leblebici	Executive Member and General Manager
Gökhan Mendi	Senior Assistant General Manager, Retail and Private Banking Group
Mustafa Aşkın Dolaştır	Assistant General Manager, Financial Affairs
Dr. Nilsen Altıntaş	Assistant General Manager, Human Resources Group
Gökhan Özdil	Assistant General Manager, Corporate Credits Group
Osman Durmuş	Assistant General Manager, Retail and Micro SME Credits Group
Melis Coşan Baban	Secretary of the Board of Directors, Head of Legal Affairs
Mehmet Ali Cer	Assistant General Manager, Information Technologies
Kubilay Güler	Assistant General Manager, Banking Operations and Support Services
Akil Özçay	Assistant General Manager, Fixed Income
Ömer Abidin Yenidoğan	Assistant General Manager, Corporate Investment Banking
Dr. Tuğrul Özbakan	Assistant General Manager, Treasury & ALM
Gülümser Özgün Henden	Assistant General Manager, Corporate Banking
Ali İhsan Arıdaşır	Assistant General Manager, SME Credits
Ali Gökhan Cengiz	Assistant General Manager, SME Banking
Nimet Elif Akpınar	Chief Risk Officer
Hakan Tıraşın	Internal Audit Group
Birol Deper	Head of Compliance Group and Internal Control Group, Consumer Relations Coordination Officer

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

D. Significant Events and Transactions in the Current Period

Amendments to Main Contract in 1 January – 30 June 2019:

There have been no changes to the main contract during the period of 1 January – 30 June 2019.

Significant Events and Transaction in the Current Period:

TL 240,235 of the Parent Bank's non-performing loan portfolio for which TL 231,191 of provision held were sold for TL 12,401 in 2019. After completing all necessary procedures, sales fees has been collected and the related non-performing loans excluded from the records.

Summary of Financial Results:

(million TL)	30 June 2019 Consolidated Financial Statements	31 December 2018 Consolidated Financial Statements
Loans, Net	67,118	65,679
Loans(*)	66,853	65,750
Non-Performing Loans	3,666	2,839
Expected Loses	(3,402)	(2,911)
Total Assets	103,244	98,659
Deposits	65,804	64,160
Shareholder's Equity	9,930	9,873
Net Income (Prior Period 30 June 2018)	647	740

(*) Includes factoring receivables.

Summary of Financial Results:

	30 June 2019 Consolidated Financial Statements	31 December 2018 Consolidated Financial Statements
Loans / Total Assets	65.01%	66.57%
Deposits / Total Assets	63.74%	65.03%
Return on Equity (Prior Period, 30 June 2018)	13.65%	16.47%
NPL Ratio	5.20%	4.14%
Capital Adequacy Ratio	16.42%	16.70%
Coverage Ratio	58.66%	60.49%

E. Credit Ratings Assigned By Rating Agencies and Information On Their Contents (*)

TEB maintained its position as one of the most highly rated banks in Turkey. As of the second quarter of 2019, TEB's ratings were as follows:

Moody's Investor Services:

Baseline Credit Assessment	b3
Adjusted Baseline Credit Assessment	b1
Long Term FC Bank Deposits	B3
Short Term FC Bank Deposits	NP
Long Term LC Bank Deposits	B1
Short Term LC Bank Deposits	NP
Outlook b2	Negative

Fitch Ratings:

Foreign Currency	
Long-term	BB-
Short-term	B
Outlook	Negative
Turkish Lira	
Long-term	BB
Short-term	B
Outlook	Negative
National	AA (tur)
Outlook	Stable
Individual Rating	b+
Support Points	

(*) Ratings above are not performed based on the "Communiqué for Authorization and Activities of Rating Institutions" published by the Capital Markets Board.

F. Donations

The Parent Bank has donated TL 214,830 with 169 items to the several agencies and institutions during the period of 1 January 2019 – 30 June 2019.