

*(Convenience Translation of the Independent Auditor's Report  
Originally Prepared and Issued in Turkish See Note 3.1.c)*

## **DENİZBANK ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT,  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND  
NOTES FOR THE NINE MONTHS PERIOD ENDED  
30 SEPTEMBER 2019**

- I. Independent Auditor's Review Report
- II. Publicly Disclosed Consolidated Financial Report

*(Convenience translation of the independent auditor's report  
originally issued in Turkish, See Note I.c of Section Three)*

## **INTERIM REVIEW REPORT AND INTERIM FINANCIAL INFORMATION**

**To the Board of Directors of Denizbank A.Ş.**

### *Introduction*

We have reviewed the consolidated statement of financial position of Denizbank A.Ş. (“the Bank”) and its subsidiaries (together will be referred as “the Group”) as of 30 September 2019 and the related consolidated income statement, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows for the nine-month-period then ended. The Bank Management is responsible for the preparation and presentation of interim financial statements in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by BRSA Legislation (together referred as “BRSA Accounting and Financial Reporting Legislation”). Our responsibility is to express a conclusion on these interim financial statements 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 statements do not give a true view of the financial position of Denizbank A.Ş. and its subsidiaries as of 30 September 2019 and of the results of its operations and its cash flows for the nine-month-period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

### *Report on other regulatory requirements arising from legislation*

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

*Additional paragraph for convenience translation to English:*

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
*A Member Firm of Ernst&Young Global Limited*

Yaşar Bivas, SMMM  
Partner

25 October 2019

Istanbul, Turkey

**DENİZBANK A.Ş.**  
**CONSOLIDATED INTERIM FINANCIAL REPORT FOR**  
**THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019**

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Telephone and Fax Numbers  
Tel : 0.212.348 20 00  
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Website of the Bank  
www.denizbank.com

E-mail address of the Bank  
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The consolidated financial report package prepared in accordance with the statement "Financial Statements and Related Disclosures and Footnotes to be Announced to Public" as required by the Banking Regulation and Supervision Agency (BRSA), is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- DISCLOSURES ON ACCOUNTING POLICIES IN RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE CONSOLIDATED GROUP
- DISCLOSURES AND FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S REVIEW REPORT
- INTERIM ACTIVITY REPORT

Our structured entity and subsidiaries whose financial statements have been consolidated under this consolidated financial report are as follows:

<b>Subsidiaries</b>
1 Denizbank AG, Vienna
2 Eurodeniz International Banking Unit Ltd.
3 Deniz Yatırım Menkul Kıymetler A.Ş.
4 JSC Denizbank, Moscow
5 Deniz Portföy Yönetimi A.Ş.
6 Deniz Finansal Kiralama A.Ş.
7 Deniz Faktoring A.Ş.
8 Deniz Gayrimenkul Yatırım Ortaklığı A.Ş.
9 CR Erdberg Eins GmbH & Co KG
<b>Structured Entity</b>
1 DFS Funding Corp.

The consolidated financial statements and related disclosures and footnotes that were subject to independent review, are prepared in accordance with the "Regulation on Accounting Principles and Documentations", Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements, and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying consolidated financial statements are presented in **Thousands of Turkish Lira**.

25 October 2019

**HAKAN ELVERDİ**

Senior Vice President  
Financial Reporting  
And Accounting

**RUSLAN ABİL**

Executive Vice President  
Financial Affairs

**HAKAN ATEŞ**

Member of Board of Directors  
and President and Chief  
Executive Officer

**HESHAM ABDULLA  
QASSIM ALQASSIM**  
Chairman of Board of  
Directors

**JONATHAN EDWARD MORRIS**

Member of Board of Directors  
and Audit Committee

**WOUTER G.M VAN ROSTE**

Member of Board of Directors  
and Audit Committee

**NIHAT SEVİNÇ**

Member of Board of Directors  
and Audit Committee

Contact information for questions on this financial report:

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## **SECTION ONE**

### **GENERAL INFORMATION**

#### **I. Parent Bank's date of establishment, beginning statute, its history including changes in its statute**

Denizbank A.Ş. ("the Bank") following the resolution of the High Council of Privatization numbered 97/5 and dated 20 March 1997 to privatize 100% of shares of Denizbank A.Ş., share sale agreement between Zorlu Holding A.Ş. and the Privatization Administration was signed on 29 May 1997 and the Bank started its activities on 25 August 1997 upon obtaining a permission to operate. Bank's shares have been quoted on Borsa Istanbul ("BIST") since 1 October 2004. 0,15% of the Bank's shares are publicly held as of 30 September 2019.

Dexia Participation Belgique SA, owned 100% directly and indirectly by Dexia SA/NV, acquired 75% of the outstanding shares of the Bank from Zorlu Holding A.Ş. on 17 October 2006, and subsequent to the transfer of shares, Dexia Participation Belgique's ownership rate increased to 99,85%.

On 27 December 2012, 99,85% of the Bank's shares were transferred from Dexia Group to Sberbank of Russia ("Sberbank") with a total purchase price of TL 6,90 billion (Euro 2,98 billion).

On 22 May 2018, Emirates NBD Bank PJSC (Emirates NBD) and Sberbank of Russia (Sberbank) announced that they have entered into a definitive agreement whereby Sberbank will sell its entire 99,85% stake in Denizbank to Emirates NBD and on 2 April 2019, Emirates NBD and Sberbank signed "Restated SPA" (the SPA with revised terms) and on the total consideration of 99,85% of the shares in Denizbank, agreed at 15,48 billion TL based on the consolidated equity capital of Denizbank amounting to 15,51 billion TL as at 31 December 2018. Regarding the share transfer transaction, all the approvals of the regulatory authorities in Turkey, Russia and the United Arab Emirates Denizbank in which operates with other countries were obtained and the closing date of the share transfer transaction is determined as 31 July 2019. As of this date, Sberbank will cease to be a shareholder in Denizbank.

#### **II. Capital structure, shareholders controlling the management and supervision of the Parent Bank directly or indirectly, and if exists, changes on these issues and the Group that the Parent Bank belongs to**

<b>Current Period</b>		
<b>Name of the Shareholder</b>	<b>Amount (Full TL)</b>	<b>Share (%)</b>
Emirates NBD Bank PJSC	3.311.211.134	99,85
Publicly traded	4.888.709	0,15
Others shareholders	157	--
<b>Total</b>	<b>3.316.100.000</b>	<b>100,00</b>

  

<b>Prior Period</b>		
<b>Name of the Shareholder</b>	<b>Amount (Full TL)</b>	<b>Share (%)</b>
Sberbank of Russia	3.311.211.134	99,85
Publicly traded	4.888.709	0,15
Others shareholders	157	--
<b>Total</b>	<b>3.316.100.000</b>	<b>100,00</b>

**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 and their areas of responsibility**

<b>Name</b>	<b>Title</b>	<b>Shares owned (%)</b>
<b>Chairman of the Board of Directors <sup>(2)</sup></b>		
Hesham Abdulla Qassim Alqassim	Chairman	--
<b>Board of Directors <sup>(2)</sup></b>		
Mohamed Hadi Ahmed Abdulla Alhussaini	Deputy Chairman	--
Nihat Sevinç	Deputy Chairman	--
Hakan Ateş	Member, President and CEO	0,000002
Deniz Ülke Arıboğan	Member	--
Wouter G.M. Van Roste	Member	--
Timur Kozintsev	Member	--
Derya Kumru	Member	--
Shayne Keith Nelson	Member	--
Jonathan Edward Morris	Member	--
<b>Audit Committee <sup>(2)</sup></b>		
Wouter G.M. Van Roste	Member	--
Nihat Sevinç	Member	--
Jonathan Edward Morris	Member	--
<b>Executive Vice Presidents <sup>(1)</sup></b>		
Bora Böküçöz	Treasury and Financial Institutions	--
Ruslan Abil	Financial Affairs	--
Dilek Duman	Information Technologies and Support Operations	--
Tanju Kaya	Administrative Services and Investment Group	--
Mustafa Özel	Branch and Central Operations	--
İbrahim Şen	Credit Follow-up and Risk Monitoring	--
Mehmet Aydoğdu	Corporate and Commercial Banking	--
Cem Demirağ	Head of Internal Control Unit and Compliance	--
Ali Murat Dizdar	Chief Legal Advisor	--
Ayşenur Hıçkiran	Payment Systems and Non-Branch Channels	--
Selim Efe Teoman	Corporate and Commercial Credits	--
Ramazan Işık	Head of Internal Audit	--
Murat Kulaksız	SME Banking and Public Financing	--
Necip Yavuz Elkin	Human Resources and Deniz Academy	--
Burak Koçak	Agricultural Banking	--
Oğuzhan Özark	Retail Banking	--
Cemil Cem Önenç	Private Banking and Investment Group	--
Sinan Yılmaz	Head of Risk Management Group	--
Edip Kürşad Başer	Credit Policy and Retail, SME, Agricultural Banking	--
Verda Beril Yüzer Oğuz	Credits Allocation	--
Hayri Cansever	Financial Institutions	--
Umut Özdoğan	Secretariat General and Foreign Subsidiaries	--
	Digital Transformation, CRM and Process Management	--

<sup>(1)</sup> Murat Çıtak, who was the Assistant General Manager of IT Security and Digital-Card Payment Operations Group at the Parent Bank, resigned from his position on 3 May 2019 and Mustafa Saruhan Özel who was the Assistant General Manager of Economic Research, Strategy and Program Management Office Group at the Parent Bank resigned from his position on 10 September 2019.

<sup>(2)</sup>As a result of the Extraordinary General Assembly Meeting of the Parent Bank on 1 August 2019, in the division of duties among the Members of the Board of Directors; Hesham Abdulla Qassim Alqassim as Chairman, Mohamed Hadi Ahmed Abdulla Alhussaini and Nihat Sevinç as Deputy Chairman, Jonathan Edward Morris as Board and Audit Committee Member and Shayne Keith Nelson were elected as Board Member. Herman Gref, Igor Kolomeyskiy, Dzhangir Dzhangirov, Pavel Barchugov, Alexander Mozorov and Alexander Titov resigned from the Board of Directors before the Extraordinary General Meeting.



**IV. Explanations regarding the real person and corporate qualified shareholders at the Parent Bank**

Commercial Title	Share Amounts	Share Percentages	Paid-in Capital	Unpaid Capital
Emirates NBD Bank PJSC	3.311.211	% 99,85	3.311.211	--

ENBD is the controlling party of the Parent Bank's capital having both direct and indirect qualified shares.

As of 30 September 2019 the capital structure of ENBD is as follows:

Shareholders	Share Percentages
Investment Corporation of Dubai	55,76 %
Capital Assets LLC	5,33 %
Publicly traded	38,91 %
<b>Total</b>	<b>100,00 %</b>

**V. Type of services provided and the areas of operations of the Parent Bank**

The Parent Bank is a private sector deposit bank which provides banking services to its customers through 708 domestic and 1 foreign branch as of 30 September 2019.

Activities of the Parent Bank as stated in the 3rd clause of the Articles of Association are as follows:

In accordance with the Banking Law and regulations;

- Performing all kinds of banking activities,
- Dealing with transactions on all kinds of capital market instruments within the limits set by the related regulations and Capital Market Law regulations,
- Establishing domestic and/or foreign entities and participating in existing entities. Entering into loan and intelligence agreements with domestic and international financial institutions. Participating in consortiums and syndications,
- Incorporating insurance companies, operating insurance agencies, participating in insurance companies which are existing or planned to be founded.

Apart from the above-mentioned activities, in case different activities deemed advantageous and necessary for the company are to be undertaken in the future, they will be submitted to approval of the General Assembly based on Board of Director's decision and the company will be able to implement activities after the relevant decision is made by General Assembly.

**VI. A short explanation on the differences between the communiqué on consolidated financial statement reporting and the consolidation procedures required by Turkish Accounting Standards and about institutions that are subject to full consolidation, proportional consolidation, by way of deduction from capital or those that are subject to none.**

Banks are obligated to prepare consolidated financial statements with their associates and subsidiaries qualifying as credit institutions and financial subsidiaries based on the "Communiqué on Preparation of Consolidated Financial Statements of Banks" by applying Turkish Accounting Standards. There is no difference between the consolidated financial statements based on the related Communiqué and those prepared in accordance with Turkish Accounting Standards except the scope difference regarding non-financial associates and subsidiaries. Information in regards to consolidated subsidiaries and consolidation methods are given in Note III of Section Three.

**VII. Existing or potential, actual or legal obstacles to immediate transfer of capital between Parent Bank and its subsidiaries and repayment of debts.**

None.

## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

- I. Consolidated Statements of Financial Position
- II. Consolidated Statements of Off-Balance Sheet Items
- III. Consolidated Statements of Income
- IV. Consolidated Statements of Other Comprehensive Income
- V. Consolidated Statements of Changes in Shareholders' Equity
- VI. Consolidated Statements of Cash Flows

**DENİZBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENTS**  
**OF FINANCIAL POSITION**  
**AS OF 30 SEPTEMBER 2019 AND 31 DECEMBER 2018**  
(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of*  
*Consolidated Financial Report*  
*Originally Issued in Turkish*  
*See Note 3.1.c*

ASSETS	Footnote	CURRENT PERIOD (30/09/2019)			PRIOR PERIOD (31/12/2018)		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (Net)</b>		<b>11.238.172</b>	<b>43.974.607</b>	<b>55.212.779</b>	<b>9.852.047</b>	<b>35.325.203</b>	<b>45.177.250</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>3.072.220</b>	<b>34.181.700</b>	<b>37.253.920</b>	<b>2.641.967</b>	<b>32.113.372</b>	<b>34.755.339</b>
1.1.1 Cash and Balances at Central Bank	(5.1.a)	1.624.009	28.284.722	29.908.731	2.374.157	25.750.052	28.124.209
1.1.2 Banks	(5.1.a)	6.154	5.900.593	5.906.747	258.162	6.367.606	6.625.768
1.1.3 Due from Money Markets		1.442.100	-	1.442.100	9.780	-	9.780
1.1.4 Expected Credit Losses (-)		43	3.615	3.658	132	4.286	4.418
<b>1.2 Financial Assets at Fair Value through Profit or Loss</b>	(5.1.b)	<b>22.758</b>	<b>512.373</b>	<b>535.131</b>	<b>91.872</b>	<b>421.239</b>	<b>513.111</b>
1.2.1 Public Debt Securities		21.153	6.551	27.704	90.381	1.767	92.148
1.2.2 Equity Instruments		-	135.307	135.307	-	95.845	95.845
1.2.3 Other Financial Assets		1.605	370.515	372.120	1.491	323.627	325.118
<b>1.3 Financial Assets at Fair Value through Other Comprehensive Income</b>	(5.1.c)	<b>6.994.980</b>	<b>8.456.149</b>	<b>15.451.129</b>	<b>5.838.928</b>	<b>2.075.561</b>	<b>7.914.489</b>
1.3.1 Public Debt Securities		6.891.012	7.841.490	14.732.502	5.838.150	1.516.476	7.354.626
1.3.2 Equity Instruments		103.968	210	104.178	778	200	978
1.3.3 Other Financial Assets		-	614.449	614.449	-	558.885	558.885
<b>1.4 Derivative Financial Assets</b>		<b>1.148.214</b>	<b>824.385</b>	<b>1.972.599</b>	<b>1.279.280</b>	<b>715.031</b>	<b>1.994.311</b>
1.4.1 Portion of Derivative Financial Assets Reflected to Profit or Loss	(5.1.b)	1.148.214	824.385	1.972.599	1.279.280	715.031	1.994.311
1.4.2 Portion of Derivative Financial Assets Reflected to Other Comprehensive Income	(5.1.i)	-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)</b>		<b>67.103.995</b>	<b>76.508.150</b>	<b>143.612.145</b>	<b>67.095.421</b>	<b>77.876.250</b>	<b>144.971.671</b>
<b>2.1 Loans</b>	(5.1.d)	<b>70.133.656</b>	<b>72.421.179</b>	<b>142.554.835</b>	<b>66.880.327</b>	<b>73.476.067</b>	<b>140.356.394</b>
<b>2.2 Lease Receivables</b>	(5.1.i)	<b>711.644</b>	<b>2.168.043</b>	<b>2.879.687</b>	<b>715.049</b>	<b>2.345.061</b>	<b>3.060.110</b>
<b>2.3 Factoring Receivables</b>		<b>1.821.651</b>	<b>180.099</b>	<b>2.001.750</b>	<b>2.151.008</b>	<b>210.829</b>	<b>2.361.837</b>
<b>2.4 Financial Assets Measured at Amortised Cost</b>	(5.1.e)	<b>3.956.330</b>	<b>2.563.788</b>	<b>6.520.118</b>	<b>3.779.643</b>	<b>2.460.167</b>	<b>6.239.810</b>
1.4.1 Public Debt Securities		3.956.330	2.563.788	6.520.118	3.779.643	2.460.167	6.239.810
1.4.2 Other Financial Assets		-	-	-	-	-	-
<b>2.5 Expected Credit Losses (-)</b>		<b>9.519.286</b>	<b>824.959</b>	<b>10.344.245</b>	<b>6.430.606</b>	<b>615.874</b>	<b>7.046.480</b>
<b>III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)"</b>	(5.1.m)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1 Held for Sale		-	-	-	-	-	-
3.2 Held from Discontinued Operations		-	-	-	-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>809.354</b>	<b>216</b>	<b>809.570</b>	<b>806.290</b>	<b>211</b>	<b>806.501</b>
<b>4.1 Investments in Associates (Net)</b>	(5.1.f)	<b>13.596</b>	<b>-</b>	<b>13.596</b>	<b>10.833</b>	<b>-</b>	<b>10.833</b>
4.1.1 Accounted by Using Equity Method		-	-	-	-	-	-
4.1.2 Non-Consolidated Associates		13.596	-	13.596	10.833	-	10.833
<b>4.2 Investments in Subsidiaries (Net)</b>	(5.1.g)	<b>792.958</b>	<b>216</b>	<b>793.174</b>	<b>792.657</b>	<b>211</b>	<b>792.868</b>
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		792.958	216	793.174	792.657	211	792.868
<b>4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)</b>	(5.1.h)	<b>2.800</b>	<b>-</b>	<b>2.800</b>	<b>2.800</b>	<b>-</b>	<b>2.800</b>
4.3.1 Accounted by Using Equity Method		-	-	-	-	-	-
4.3.2 Non-Consolidated Associates		2.800	-	2.800	2.800	-	2.800
<b>V. TANGIBLE ASSETS (Net)</b>		<b>1.269.000</b>	<b>267.981</b>	<b>1.536.981</b>	<b>681.372</b>	<b>200.412</b>	<b>881.784</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>		<b>272.588</b>	<b>36.510</b>	<b>309.098</b>	<b>240.158</b>	<b>31.033</b>	<b>271.191</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		272.588	36.510	309.098	240.158	31.033	271.191
<b>VII. INVESTMENT PROPERTY (Net)</b>	(5.1.k)	<b>203.835</b>	<b>-</b>	<b>203.835</b>	<b>202.001</b>	<b>-</b>	<b>202.001</b>
<b>VIII. CURRENT TAX ASSETS</b>		<b>427</b>	<b>332</b>	<b>759</b>	<b>8.975</b>	<b>564</b>	<b>9.539</b>
<b>IX. DEFERRED TAX ASSETS</b>	(5.1.l)	<b>1.199.984</b>	<b>132.166</b>	<b>1.332.150</b>	<b>1.062.119</b>	<b>151.504</b>	<b>1.213.623</b>
<b>X. OTHER ASSETS (Net)</b>	(5.1.n)	<b>2.280.745</b>	<b>1.213.592</b>	<b>3.494.337</b>	<b>2.034.138</b>	<b>1.743.738</b>	<b>3.777.876</b>
<b>TOTAL ASSETS</b>		<b>84.378.100</b>	<b>122.133.554</b>	<b>206.511.654</b>	<b>81.982.521</b>	<b>115.328.915</b>	<b>197.311.436</b>

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

**DENİZBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENTS**  
**OF FINANCIAL POSITION**  
**AS OF 30 SEPTEMBER 2019 AND 31 DECEMBER 2018**  
(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of*  
*Consolidated Financial Report*  
*Originally Issued in Turkish*  
*See Note 3.1.c*

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnote	CURRENT PERIOD (30/09/2019)			PRIOR PERIOD (31/12/2018)		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(5.II.a)	<b>48.444.912</b>	<b>104.024.907</b>	<b>152.469.819</b>	<b>48.184.217</b>	<b>91.757.259</b>	<b>139.941.476</b>
<b>II. FUNDS BORROWED</b>	(5.II.c)	<b>1.287.690</b>	<b>10.076.166</b>	<b>11.363.856</b>	<b>1.829.916</b>	<b>14.532.244</b>	<b>16.362.160</b>
<b>III. DUE TO MONEY MARKETS</b>		<b>109.955</b>	<b>-</b>	<b>109.955</b>	<b>1.415.797</b>	<b>-</b>	<b>1.415.797</b>
<b>IV. SECURITIES ISSUED (Net)</b>	(5.II.d)	<b>4.793.317</b>	<b>293.530</b>	<b>5.086.847</b>	<b>3.086.177</b>	<b>901.682</b>	<b>3.987.859</b>
4.1 Bills		4.793.317	-	4.793.317	3.079.013	-	3.079.013
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	293.530	293.530	7.164	901.682	908.846
<b>V. FUNDS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>		<b>103.754</b>	<b>1.089.679</b>	<b>1.193.433</b>	<b>908.105</b>	<b>1.141.758</b>	<b>2.049.863</b>
7.1 Portion of Derivative Financial Assets Reflected to Profit or Loss	(5.II.b)	103.754	1.089.679	1.193.433	908.105	1.141.758	2.049.863
7.2 Portion of Derivative Financial Assets Reflected to Other Comprehensive Income	(5.II.g)	-	-	-	-	-	-
<b>VIII. FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. LEASE PAYABLES (NET)</b>	(5.II.f)	<b>558.540</b>	<b>71.011</b>	<b>629.551</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. PROVISIONS</b>	(5.II.h)	<b>1.472.672</b>	<b>22.718</b>	<b>1.495.390</b>	<b>926.309</b>	<b>18.859</b>	<b>945.168</b>
10.1 Provision for Restructuring		-	-	-	-	-	-
10.2 Reserves for Employee Benefits		349.604	18.560	368.164	205.580	17.480	223.060
10.3 Insurance Technical Reserves (Net)		-	-	-	-	-	-
10.4 Other Provisions		1.123.068	4.158	1.127.226	720.729	1.379	722.108
<b>XI. CURRENT TAX LIABILITIES</b>	(5.II.i)	<b>613.985</b>	<b>7.289</b>	<b>621.274</b>	<b>295.779</b>	<b>67.170</b>	<b>362.949</b>
<b>XII. DEFERRED TAX LIABILITIES</b>	(5.II.i)	<b>2.024</b>	<b>23.209</b>	<b>25.233</b>	<b>1.050</b>	<b>24.778</b>	<b>25.828</b>
<b>XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)</b>	(5.II.j)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1 Held for Sale		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT</b>		<b>-</b>	<b>6.669.733</b>	<b>6.669.733</b>	<b>-</b>	<b>6.274.450</b>	<b>6.274.450</b>
14.1 Loans		-	6.669.733	6.669.733	-	6.274.450	6.274.450
14.2 Other Debt Instruments		-	-	-	-	-	-
<b>XV. OTHER LIABILITIES</b>	(5.II.e)	<b>4.465.976</b>	<b>5.134.100</b>	<b>9.600.076</b>	<b>3.984.658</b>	<b>6.455.958</b>	<b>10.440.616</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(5.II.k)	<b>8.937.897</b>	<b>8.308.590</b>	<b>17.246.487</b>	<b>8.078.680</b>	<b>7.426.590</b>	<b>15.505.270</b>
16.1 Paid-in Capital		3.316.100	-	3.316.100	3.316.100	-	3.316.100
16.2 Capital Reserves		67.576	-	67.576	67.576	-	67.576
16.2.1 Share Premium		15	-	15	15	-	15
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		67.561	-	67.561	67.561	-	67.561
16.3 Other Accumulated Comprehensive Income That Will Not Be Reclassified in Profit or Loss		775.868	39.863	815.731	776.465	39.211	815.676
16.4 Other Accumulated Comprehensive Income That Will Be Reclassified in Profit or Loss		(3.646.202)	4.371.579	725.377	(3.915.648)	3.906.078	(9.570)
16.5 Profit Reserves		7.278.139	16.192	7.294.331	5.095.616	16.192	5.111.808
16.5.1 Legal Reserves		455.937	5.019	460.956	346.810	5.019	351.829
16.5.2 Statutory Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		6.822.202	11.173	6.833.375	4.748.806	11.173	4.759.979
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or Loss		1.132.105	3.880.956	5.013.061	2.724.175	3.465.109	6.189.284
16.6.1 Prior Years' Profits or Losses		568.878	3.437.883	4.006.761	1.593.545	2.396.092	3.989.637
16.6.2 Current Period Net Profit or Loss		563.227	443.073	1.006.300	1.130.630	1.069.017	2.199.647
16.7 Minority Interest		14.311	-	14.311	14.396	-	14.396
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>70.790.722</b>	<b>135.720.932</b>	<b>206.511.654</b>	<b>68.710.688</b>	<b>128.600.748</b>	<b>197.311.436</b>

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

**DENİZBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF**  
**OFF-BALANCE SHEET ITEMS**  
**AS OF 30 SEPTEMBER 2019 AND 31 DECEMBER 2018**  
(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of*  
*Consolidated Financial Report*  
*Originally Issued in Turkish*  
*See Note 3.1.c*

		Footnote	CURRENT PERIOD (30/09/2019)			PRIOR PERIOD (31/12/2018)		
			TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>								
			<b>70.542.222</b>	<b>124.880.314</b>	<b>195.422.536</b>	<b>70.119.981</b>	<b>133.267.437</b>	<b>203.387.418</b>
<b>I.</b>	<b>GUARANTEES</b>	(5.III.a)	<b>10.466.963</b>	<b>22.090.660</b>	<b>32.557.623</b>	<b>10.758.483</b>	<b>22.919.571</b>	<b>33.678.054</b>
1.1.	Letters of Guarantee		10.445.681	15.276.336	25.722.017	10.744.708	15.583.822	26.328.530
1.1.1.	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2.	Guarantees Given for Foreign Trade Operations		79.021	98.580	177.601	79.021	102.658	181.679
1.1.3.	Other Letters of Guarantee		10.366.660	15.177.756	25.544.416	10.665.687	15.481.164	26.146.851
1.2.	Bank Acceptances		8.000	146.535	154.535	7.826	215.538	223.364
1.2.1.	Import Letter of Acceptance		8.000	146.535	154.535	7.826	215.538	223.364
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		13.282	3.081.288	3.094.570	5.949	3.505.885	3.511.834
1.3.1.	Documentary Letters of Credit		5.466	2.007.188	2.012.654	5.949	1.838.619	1.844.568
1.3.2.	Other Letters of Credit		7.816	1.074.100	1.081.916	-	1.667.266	1.667.266
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 Related Guarantees		-	-	-	-	-	-
1.8.	Other Collaterals		-	3.586.501	3.586.501	-	3.614.326	3.614.326
1.9.	Other Sureties		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	(5.III.a)	<b>37.738.637</b>	<b>6.827.206</b>	<b>44.565.843</b>	<b>34.851.430</b>	<b>8.808.308</b>	<b>43.659.738</b>
2.1.	Irrevocable Commitments		36.651.480	6.687.143	43.338.623	33.975.209	8.808.308	42.783.517
2.1.1.	Asset Purchase and Sale Commitments		1.096.818	3.034.675	4.131.493	1.409.987	3.754.663	5.164.650
2.1.2.	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4.	Loan Granting Commitments		12.825.644	-	12.825.644	11.210.043	85.027	11.295.070
2.1.5.	Securities Issuance Brokerage Commitments		-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7.	Commitments for Cheque Payments		1.936.492	-	1.936.492	1.815.134	-	1.815.134
2.1.8.	Tax and Fund Obligations from Export Commitments		1.773	-	1.773	1.584	-	1.584
2.1.9.	Commitments for Credit Card Limits		20.322.891	-	20.322.891	19.225.849	-	19.225.849
2.1.10.	Commitments for Promotional Operations Re-Credit Cards and Banking Services		7.206	-	7.206	4.592	-	4.592
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		460.656	3.652.468	4.113.124	308.020	4.968.618	5.276.638
2.2.	Revocable Commitments		1.087.157	140.063	1.227.220	876.221	-	876.221
2.2.1.	Revocable Loan Granting Commitments		1.086.598	140.063	1.226.661	875.662	-	875.662
2.2.2.	Other Revocable Commitments		559	-	559	559	-	559
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>22.336.622</b>	<b>95.962.448</b>	<b>118.299.070</b>	<b>24.510.068</b>	<b>101.539.558</b>	<b>126.049.626</b>
3.1.	Hedging Purpose Derivatives		-	-	-	-	-	-
3.1.1.	Fair Value Hedge		-	-	-	-	-	-
3.1.2.	Cash Flow Hedge		-	-	-	-	-	-
3.1.3.	Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
3.2.	Trading Purpose Derivatives		22.336.622	95.962.448	118.299.070	24.510.068	101.539.558	126.049.626
3.2.1.	Forward Foreign Currency Purchases/Sales		1.019.183	4.324.740	5.343.923	2.721.070	4.761.386	7.482.456
3.2.1.1.	Forward Foreign Currency Purchases		607.246	2.058.679	2.665.925	1.236.475	2.478.261	3.714.736
3.2.1.2.	Forward Foreign Currency Sales		411.937	2.266.061	2.677.998	1.484.595	2.283.125	3.767.720
3.2.2.	Currency and Interest Rate Swaps		15.274.065	78.687.532	93.961.597	13.733.466	83.753.085	97.486.551
3.2.2.1.	Currency Swaps-Purchases		3.527.559	33.153.477	36.681.036	2.128.687	33.874.794	36.003.481
3.2.2.2.	Currency Swaps-Sales		5.646.506	28.099.064	33.745.570	5.004.779	31.897.280	36.902.059
3.2.2.3.	Interest Rate Swaps-Purchases		3.050.000	8.717.496	11.767.496	3.300.000	8.990.506	12.290.506
3.2.2.4.	Interest Rate Swaps-Sales		3.050.000	8.717.495	11.767.495	3.300.000	8.990.505	12.290.505
3.2.3.	Currency, Interest Rate and Security Options		4.878.528	6.956.545	11.835.073	7.949.933	10.666.955	18.616.888
3.2.3.1.	Currency Options-Purchases		2.028.648	3.783.820	5.812.468	3.833.002	5.435.419	9.268.421
3.2.3.2.	Currency Options-Sales		2.849.880	3.063.379	5.913.259	4.116.931	5.099.984	9.216.915
3.2.3.3.	Interest Rate Options-Purchases		-	54.673	54.673	-	65.776	65.776
3.2.3.4.	Interest Rate Options-Sales		-	54.673	54.673	-	65.776	65.776
3.2.3.5.	Securities Options-Purchases		-	-	-	-	-	-
3.2.3.6.	Securities Options-Sales		-	-	-	-	-	-
3.2.4.	Currency Futures		1.164.846	993.376	2.158.222	78.768	72.355	151.123
3.2.4.1.	Currency Futures-Purchases		166.532	853.474	1.020.006	6	72.350	72.356
3.2.4.2.	Currency Futures-Sales		998.314	139.902	1.138.216	78.762	5	78.767
3.2.5.	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1.	Interest Rate Futures-Purchases		-	-	-	-	-	-
3.2.5.2.	Interest Rate Futures-Sales		-	-	-	-	-	-
3.2.6.	Others		-	5.000.255	5.000.255	26.831	2.285.777	2.312.608
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>			<b>575.060.697</b>	<b>222.668.132</b>	<b>797.728.829</b>	<b>562.778.979</b>	<b>207.384.353</b>	<b>770.163.332</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>69.754.537</b>	<b>9.198.942</b>	<b>78.953.479</b>	<b>81.167.104</b>	<b>9.015.106</b>	<b>90.182.210</b>
4.1.	Customers' Securities and Portfolios Held		136.697	-	136.697	137.780	-	137.780
4.2.	Securities Held in Custody		67.115.725	7.159.441	74.275.166	78.009.150	6.886.818	84.895.968
4.3.	Checks Received for Collection		1.360.206	1.515.355	2.875.561	1.451.819	1.609.409	3.061.228
4.4.	Commercial Notes Received for Collection		1.140.657	357.964	1.498.621	1.567.103	384.389	1.951.492
4.5.	Other Assets Received for Collection		-	-	-	-	-	-
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items under Custody		1.252	166.182	167.434	1.252	134.490	135.742
4.8.	Custodians		-	-	-	-	-	-
<b>V.</b>	<b>PLEDGED ITEMS</b>		<b>504.583.398</b>	<b>212.542.362</b>	<b>717.125.760</b>	<b>481.305.305</b>	<b>196.994.274</b>	<b>678.299.579</b>
5.1.	Securities		2.800.148	59.026	2.859.174	3.116.269	55.289	3.171.558
5.2.	Guarantee Notes		326.147.854	68.614.789	394.762.643	308.431.632	65.320.900	373.752.532
5.3.	Commodities		15.979.424	9.637.205	25.616.629	16.082.123	9.287.813	25.369.936
5.4.	Warrants		-	-	-	-	-	-
5.5.	Immovables		96.559.883	66.965.531	163.525.414	95.095.000	64.695.435	159.790.435
5.6.	Other Pledged Items		63.096.089	67.265.811	130.361.900	58.580.281	57.634.837	116.215.118
5.7.	Pledged Items-Depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>722.762</b>	<b>926.828</b>	<b>1.649.590</b>	<b>306.570</b>	<b>1.374.973</b>	<b>1.681.543</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>			<b>645.602.919</b>	<b>347.548.446</b>	<b>993.151.365</b>	<b>632.898.960</b>	<b>340.651.790</b>	<b>973.550.750</b>

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

**DENİZBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2019 AND 2018**  
(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of*  
*Consolidated Financial Report*  
*Originally Issued in Turkish*  
*See Note 3.1.c*

INCOME STATEMENT		Footnote	CURRENT PERIOD (01/01-30/09/2019)	PRIOR PERIOD (01/01-30/09/2018)	CURRENT PERIOD (01/07-30/09/2019)	PRIOR PERIOD (01/07-30/09/2018)
I.	INTEREST INCOME	(5.IV.a)	15.022.581	12.531.142	5.031.923	4.789.673
1.1	Interest on loans		13.175.148	11.062.662	4.423.737	4.285.991
1.2	Interest received from reserve deposits		145.054	133.336	43.654	53.597
1.3	Interest received from banks		156.908	198.405	52.762	66.981
1.4	Interest received from money market transactions		25.419	9.422	17.705	5.005
1.5	Interest received from marketable securities portfolio		1.149.856	856.959	377.540	276.936
1.5.1	Financial assets at fair value through profit or loss		12.310	14.984	1.223	4.421
1.5.2	Financial assets at fair value through other comprehensive income		737.485	490.628	264.705	155.390
1.5.3	Financial assets measured at amortized cost		400.061	351.347	111.612	117.125
1.6	Financial lease income		184.845	189.040	55.559	72.202
1.7	Other interest income		185.351	81.318	60.966	28.961
II.	INTEREST EXPENSES (-)	(5.IV.b)	9.167.854	7.400.931	2.936.505	3.056.487
2.1	Interest on deposits		7.185.714	5.662.015	2.284.530	2.332.267
2.2	Interest on funds borrowed		1.032.400	956.520	307.192	409.934
2.3	Interest on money market transactions		96.048	313.148	18.145	142.600
2.4	Interest on securities issued		722.216	418.684	281.376	161.388
2.5	Lease expenses		110.341	-	40.757	-
2.6	Other interest expenses		21.135	50.564	4.505	10.298
III.	NET INTEREST INCOME/EXPENSE (I - II)		5.854.727	5.130.211	2.095.418	1.733.186
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		2.452.868	1.520.379	871.183	552.127
4.1	Fees and commissions received		3.498.961	2.129.969	1.268.614	808.774
4.1.1	Non-cash loans		337.812	208.343	118.315	77.340
4.1.2	Other		3.161.149	1.921.626	1.150.299	731.434
4.2	Fees and commissions paid (-)		1.046.093	609.590	397.431	256.647
4.2.1	Non-cash loans		6.496	769	1.901	(1.967)
4.2.2	Other		1.039.597	608.821	395.530	258.614
V	DIVIDEND INCOME		4.478	1.768	1	50
VI.	TRADING PROFIT/LOSS (Net)	(5.IV.c)	(452.136)	(20.519)	(258.913)	(70.698)
6.1	Profit/losses from capital market transactions		21.934	10.198	7.987	6.701
6.2	Profit/losses from derivative financial transactions		141.320	2.702.914	(29.908)	1.474.165
6.3	Foreign exchange profit/losses		(615.390)	(2.733.631)	(236.992)	(1.551.564)
VII.	OTHER OPERATING INCOME	(5.IV.d)	337.910	299.052	100.485	114.145
VIII.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		8.197.847	6.930.891	2.808.174	2.328.810
IX.	EXPECTED CREDIT LOSSES (-)	(5.IV.e)	3.772.000	2.086.429	1.514.723	1.061.546
X.	OTHER PROVISION EXPENSES (-)		60.503	115.738	(3.740)	(19.941)
XI.	PERSONNEL EXPENSES (-)	(5.IV.f)	1.391.369	1.196.354	458.330	414.812
XII.	OTHER OPERATING EXPENSES (-)	(5.IV.f)	1.707.252	1.499.814	573.476	514.699
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		1.266.723	2.032.556	265.385	357.694
XIV.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-	-	-
XV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-	-	-
XVI.	NET MONETARY POSITION GAIN/LOSS		-	-	-	-
XVII.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)	(5.IV.g)	1.266.723	2.032.556	265.385	357.694
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(5.IV.h)	(260.508)	(324.266)	(64.515)	77.959
18.1	Current tax provision		(506.796)	(316.403)	(327.089)	(134.739)
18.2	Expense effect of deferred tax (+)		(1.785.307)	(3.668.267)	(625.454)	(2.621.942)
18.3	Income effect of deferred tax (-)		2.031.595	3.660.404	888.028	2.834.640
XIX.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)		1.006.215	1.708.290	200.870	435.653
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1	Income from assets held for sale		-	-	-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-	-	-
20.3	Other income from discontinued operations		-	-	-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1	Expenses on assets held for sale		-	-	-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-	-	-
21.3	Other expenses from discontinued operations		-	-	-	-
XXII.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±)(XX-XXI)		-	-	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1	Current tax provision		-	-	-	-
23.2	Expense effect of deferred tax (+)		-	-	-	-
23.3	Income effect of deferred tax (-)		-	-	-	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-	-	-
XXV.	NET PROFIT/LOSSES (XIX+XXIV)	(5.IV.i)	1.006.215	1.708.290	200.870	435.653
25.1	Group's profit/loss		1.006.300	1.706.908	201.003	435.099
25.2	Minority shares Profit / Loss (-)		(85)	1.382	(133)	554
	Earnings / Losses per Share (Per thousand share)		0,30	0,52	0,06	0,13

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

**DENİZBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENTS OF**  
**OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2019 AND 2018**

(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of*  
*Consolidated Financial Report*  
*Originally Issued in Turkish*  
*See Note 3.1.c*

	CURRENT PERIOD (01/01-30/09/2019)	PRIOR PERIOD (01/01-30/09/2018)
<b>I. CURRENT PERIOD PROFIT OR LOSS</b>	<b>1.006.215</b>	<b>1.708.290</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>735.002</b>	<b>272.747</b>
<b>2.1 Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss</b>	<b>55</b>	<b>11.027</b>
2.1.1 Gains (Losses) on Revaluation of Property, Plant and Equipment	30	14.733
2.1.2 Gains (Losses) on Revaluation of Intangible Assets	--	--
2.1.3 Gains (Losses) on Remeasurements of Defined Benefit Plans	58	--
2.1.4 Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	--	--
2.1.5 Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(33)	(3.706)
<b>2.2 Other Comprehensive Income That Will Be Reclassified to Profit or Loss</b>	<b>734.947</b>	<b>261.720</b>
2.2.1 Exchange Differences on Translation	274.845	3.355.387
2.2.2 Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value through Other Comprehensive Income	780.296	(713.112)
2.2.3 Income (Loss) Related to Cash Flow Hedges	10.037	(81.046)
2.2.4 Income (Loss) Related to Hedges of Net Investments in Foreign Operations	(194.513)	(3.173.254)
2.2.5 Other Components of Other Comprehensive Income That Will Be Reclassified to Profit or Loss	--	--
2.2.6 Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	(135.718)	873.745
<b>III. TOTAL COMPREHENSIVE INCOME/(LOSS) (I±II)</b>	<b>1.741.217</b>	<b>1.981.037</b>

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

**DENİZBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2019 AND 2018**

(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of  
Consolidated Financial Report  
Originally Issued in Turkish*

*See Note 3.1.c*

CHANGES IN SHAREHOLDERS' EQUITY	Paid-In Capital	Share Premium	Share Cancellation Profits	Other capital reserves	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss			Profit reserves	Prior Period Net Profit / (Loss)	Current Period Net Profit / (Loss)	Total Equity Except Minority Shares	Minority Shares	Total Equity
					Tangible and Intangible Assets Revaluation Reserve	Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans	Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)	Exchange Differences on Translation	Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income	Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)						
<b>PRIOR PERIOD</b>																
I. 01/01-30/09/2018																
II. Balance at the Beginning of Period	3,316.100	15	--	67.561	64.304	(15.371)	--	2.151.546	(447.399)	(1.741.301)	4.184.426	3.363.124	1.900.758	12.843.763	9.844	12.853.407
2.1 Adjustment In Accordance with TAS 8	--	--	--	--	--	--	601.351	--	(11.936)	--	--	(346.863)	--	242.552	--	242.552
2.2 Effect of Adjustment Related to Errors	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
III. New Balance (H1)	3,316.100	15	--	67.561	64.304	(15.371)	601.351	2.151.546	(459.335)	(1.741.301)	4.184.426	3.016.261	1.900.758	13.086.315	9.844	13.095.959
IV. Total Comprehensive Income	--	--	--	--	11.027	--	601.351	3.355.387	(555.313)	(2.538.354)	--	--	1.706.908	1.979.655	1.382	1.981.037
V. Capital Increase in Cash	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VI. Capital Increase through Internal Reserves	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VII. Issued Capital Inflation Adjustment	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VIII. Convertible Bonds	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
IX. Subordinated Debt	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
X. Increase (Decrease) through Other Changes	--	--	--	--	--	--	--	--	--	--	--	309	--	309	300	609
XI. Profit Distribution	--	--	--	--	--	--	--	--	--	--	927.382	973.376	(1.900.758)	--	--	--
11.1 Dividends Paid	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
11.2 Transfer to Legal Reserves	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
11.3 Other	--	--	--	--	--	--	--	--	--	--	927.382	973.376	(1.900.758)	--	--	--
<b>Balance at the End of Period (II+IV+...+X+XI)</b>	<b>3,316.100</b>	<b>15</b>	<b>--</b>	<b>67.561</b>	<b>75.331</b>	<b>(15.371)</b>	<b>601.351</b>	<b>5.506.933</b>	<b>(1.014.648)</b>	<b>(4.279.855)</b>	<b>5.111.808</b>	<b>3.989.946</b>	<b>1.706.908</b>	<b>15.066.279</b>	<b>11.326</b>	<b>15.077.605</b>
<b>CURRENT PERIOD</b>																
I. 01/01-30/09/2019																
II. Balance at the Beginning of Period	3,316.100	15	--	67.561	83.193	(45.570)	778.053	4.117.584	(805.241)	(3.321.913)	5.111.808	3.989.637	2.199.647	15.490.874	14.396	15.505.270
2.1 Adjustment In Accordance with TAS 8	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2.2 Effect of Adjustment Related to Errors	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
III. New Balance (H1)	3,316.100	15	--	67.561	83.193	(45.570)	778.053	4.117.584	(805.241)	(3.321.913)	5.111.808	3.989.637	2.199.647	15.490.874	14.396	15.505.270
IV. Total Comprehensive Income	--	--	--	--	(3)	58	--	274.945	603.982	(143.890)	--	--	1.008.300	1.741.302	(85)	1.741.217
V. Capital Increase in Cash	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VI. Capital Increase through Internal Reserves	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VII. Issued Capital Inflation Adjustment	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VIII. Convertible Bonds	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
IX. Subordinated Debt	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
X. Increase (Decrease) through Other Changes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
XI. Profit Distribution	--	--	--	--	--	--	--	--	--	--	2.182.523	17.124	(2.199.647)	--	--	--
11.1 Dividends Paid	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
11.2 Transfer to Legal Reserves	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
11.3 Other	--	--	--	--	--	--	--	--	--	--	2.182.523	17.124	(2.199.647)	--	--	--
<b>Balance at the End of Period (II+IV+...+X+XI)</b>	<b>3,316.100</b>	<b>15</b>	<b>--</b>	<b>67.561</b>	<b>83.190</b>	<b>(45.512)</b>	<b>778.053</b>	<b>4.392.429</b>	<b>(201.249)</b>	<b>(3.465.803)</b>	<b>7.294.331</b>	<b>4.006.761</b>	<b>1.008.300</b>	<b>17.232.176</b>	<b>14.311</b>	<b>17.246.487</b>

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



**DENİZBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**AS OF 30 SEPTEMBER 2019 AND 2018**

(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of*  
*Consolidated Financial Report*  
*Originally Issued in Turkish*  
*See Note 3.1.c*

	Footnote	CURRENT PERIOD (01/01-30/09/2019)	PRIOR PERIOD (01/01-30/09/2018)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities (+)</b>		<b>2.353.777</b>	<b>(1.636.550)</b>
1.1.1 Interest received (+)		12.712.617	10.608.977
1.1.2 Interest paid (-)		9.062.014	6.862.639
1.1.3 Dividends received (+)		4.478	1.768
1.1.4 Fees and commissions received (+)		3.498.961	2.129.969
1.1.5 Other income (+)		269.483	265.146
1.1.6 Collections from previously written off loans and other receivables (+)		1.155.050	940.980
1.1.7 Cash payments to personnel and service suppliers (-)		1.242.295	1.080.582
1.1.8 Taxes paid (-)		346.941	378.903
1.1.9 Other (+/-)		(4.635.562)	(7.261.266)
<b>1.2 Changes in operating assets and liabilities subject to banking operations</b>		<b>4.098.344</b>	<b>12.688.450</b>
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss (+/-)		(10.518)	(150.480)
1.2.2 Net increase (decrease) in due from banks (+/-)		(1.343.348)	(799.629)
1.2.3 Net increase (decrease) in loans		873.100	(13.736.554)
1.2.4 Net increase (decrease) in other assets (+/-)		(492.745)	3.163.512
1.2.5 Net increase (decrease) in bank deposits (+/-)		(202.125)	(3.331.453)
1.2.6 Net increase (decrease) in other deposits (+/-)		11.536.118	17.778.500
1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss (+/-)		-	-
1.2.8 Net increase (decrease) in funds borrowed (+/-)		(4.115.737)	4.974.242
1.2.9 Net increase (decrease) in matured payables (+/-)		-	-
1.2.10 Net increase (decrease) in other liabilities (+/-)		(2.146.401)	4.790.312
<b>I. Net cash provided from banking operations(+/-)</b>		<b>6.452.121</b>	<b>11.051.900</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities(+/-)</b>		<b>(6.748.107)</b>	<b>(187.129)</b>
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures (-)		-	-
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures (+)		-	-
2.3 Cash paid for the purchase of tangible and intangible asset (-)		340.117	267.162
2.4 Cash obtained from the sale of tangible and intangible asset (+)		115.649	89.980
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income (-)		8.637.603	827.047
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income (+)		2.113.964	568.572
2.7 Cash paid for the purchase of financial assets at amortized cost (-)		-	-
2.8 Cash obtained from sale of financial assets at amortized cost (+)		-	-
2.9 Other (+/-)		-	248.528
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flows from financing activities (+/-)</b>		<b>(187.642)</b>	<b>(3.862.647)</b>
3.1 Cash obtained from funds borrowed and securities issued (+)		18.890.084	10.436.409
3.2 Cash outflow from funds borrowed and securities issued (-)		19.077.726	14.299.056
3.3 Equity instruments issued (+)		-	-
3.4 Dividends paid (-)		-	-
3.5 Payments for lease liabilities (-)		-	-
3.6 Other (+/-)		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents(+/-)</b>		<b>808.954</b>	<b>5.698.933</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>325.326</b>	<b>12.701.057</b>
<b>VI. Cash and cash equivalents at beginning of the period (+)</b>		<b>27.458.248</b>	<b>16.636.028</b>
<b>VII. Cash and Cash Equivalents at the End of Period</b>		<b>27.783.574</b>	<b>29.337.085</b>

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

## **SECTION THREE**

### **ACCOUNTING POLICIES**

#### **I. Basis of presentation**

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

Consolidated financial statements have been prepared in accordance with the regulations, communiqués, explanations and circulars published with respect to accounting and financial reporting principles by the Banking Regulation and Supervision Authority ("BRSA") within the framework of the provisions of the Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Document Keeping published in the Official Gazette no. 26333 dated 1 November 2006 in relation with the Banking Law no. 5411, as well as the Turkish Accounting Standards (TAS") and Turkish Financial Reporting Standards ("TFRS") enforced by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the annexes and commentaries relating to these Standards (hereinafter collectively referred to as "Turkish Accounting Standards" or "TAS") if there are no specific regulations made by BRSA. The form and content of the consolidated financial statements which have been drawn up and which will be disclosed to public have been prepared in accordance with the "Communiqué on the financial Statements to be Disclosed to the Public by Banks and the Related Explanations and Footnotes" and "Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks" as well as the communiqués that introduce amendments and additions to this Communiqué. The parent shareholder Bank keeps its accounting records in Turkish Lira, in accordance with the Banking Law, Turkish Commercial Law and Turkish Tax legislation.

Consolidated financial statements have been prepared based on historical cost principle, except the financial assets and liabilities indicated at their fair values.

The amounts in the consolidated financial statements and explanations and footnotes relating to these statements have been denoted in Thousand Turkish Liras unless otherwise stated.

In the preparation of consolidated financial statements according to TAS, the management of the parent shareholder Bank should make assumptions and estimations regarding the assets and liabilities in the balance sheet. These assumptions and estimations are reviewed regularly, the necessary corrections are made and the effects of these corrections are reflected in the income statement. The assumptions and estimations used are explained in the related foot notes.

The Parent Bank and its consolidated subsidiaries are classified as "DFS Group" in the footnotes related to the consolidated financial statements.

##### **b. Accounting policies and changes in the presentation of financial statements**

Accounting policies and valuation principles used in the preparation of the consolidated financial statements are determined in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA").

The Bank has applied TFRS 16 Leases (TFRS 16) standard issued by the POA for the first time on 1 January 2019 in the accompanying consolidated financial statements. In accordance with the transition rules of TFRS 16, the prior period financial statements and notes are not restated. Accounting policies, impacts and adoption of transition to TFRS 16 is disclosed in Section three notes XV.

##### **c. Additional paragraph for convenience translation:**

The differences between the standards set out by BRSA Accounting and Financial Reporting Legislation and the 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.

## **II. Explanation on the strategy for the use of financial instruments and transactions denominated in foreign currencies**

### **a. Strategy for the use of financial instruments**

DFS Group's external sources of funds are comprised of deposits with various maturity periods, and short-term borrowings. These funds are fixed rate in general and are utilized in high yield financial assets. The majority of the funds are allocated to high yield, floating rate instruments, such as Turkish Lira and foreign currency government securities and Eurobonds, and to loans provided to customers on a selective basis in order to increase revenue and support liquidity. The liquidity structure that ensures meeting all liabilities falling due, is formed by keeping sufficient levels of cash and cash equivalents by diversifying the sources of funds. The Bank assesses the maturity structure of the sources, and the maturity structure and yield of placements at market conditions and adopts a high yield policy in long-term placements.

DFS Group assumes risks within pre-determined risk limits in short-term currency, interest and price movements in money and capital markets and market conditions. These positions are closely monitored by the Risk Management System of the Parent Bank and the necessary precautions are taken if the limits are exceeded or should there be a change in the market environment. In order to avoid interest rate risk, assets and liabilities with fixed and floating interests are kept in balance, taking the maturity structure into consideration. The asset-liability balance is monitored on a daily basis in accordance with the maturity structure and foreign currency type. The risks associated with short-term positions are hedged through derivatives such as forwards, swaps and options. No risks are taken as far as possible on foreign currencies other than US Dollar and Euro. Transactions are made under the determined limits to cover the position.

Net foreign currency position of DFS Group in foreign enterprises is considered along with the position of the Parent Bank and the specific position is evaluated within the risk limits.

### **b. Transactions denominated in foreign currencies**

#### **Foreign currency exchange rates used in converting transactions denominated in foreign currencies and their presentation in the financial statements**

DFS Group accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed as of the balance sheet date are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities are translated into TL by using foreign currency exchange rates of the Parent Bank and the resulting exchange differences are recorded as foreign exchange gains and losses. The Parent Bank's foreign currency exchange rates are as follows:

	<b>30 September 2019</b>	<b>31 December 2018</b>	<b>30 September 2018</b>
US Dollar	5,6437 TL	5,2810 TL	5,9902 TL
Euro	6,1671 TL	6,0422 TL	6,9505 TL

#### **Foreign exchange gains and losses included in the income statement**

As of 30 September 2019, net foreign exchange loss included in the income statement amounts to TL 615.390 (1 January - 30 September 2018: TL 2.733.631 net foreign exchange loss).

#### **Total amount of valuation fund arising from foreign currency exchange rate differences**

The assets and liabilities of foreign operations are translated to TL at foreign exchange rates of the Parent Bank ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to TL at yearly average foreign exchange rates of the Parent Bank. The foreign exchange differences derived from translation of income statements of consolidated subsidiaries, and arising from the difference between TL equivalent of their equities and the Parent Bank's share in their net assets are recorded in "other profit reserves".

As of 30 September 2019, total foreign exchange differences in equity amount to TL 4.291.798 (31 December 2018: TL 4.048.506).

The foreign exchange difference of TL 100.631 (31 December 2018: TL 69.078) arising from the translation of the financial statements of Bahrain branch of the Parent Bank to Turkish Lira per TAS 21 is recorded in "Other Accumulated Comprehensive Income That Will Be Reclassified in Profit or Loss".

DFS Group applies net investment hedge accounting to hedge from the foreign currency exchange risk arising from conversion of its investments in foreign currency denominated subsidiaries on a consolidated basis. Part of foreign currency deposits to the net investment amount is designated as hedging instrument and the effective portion of the foreign exchange difference of these financial liabilities is recognized under hedging funds in equity.

### **III. Information regarding the consolidated subsidiaries**

Consolidated financial statements are prepared in accordance with TFRS 10, the “Turkish Accounting Standard for Consolidated Financial Statements”.

The Parent Bank owns, directly or indirectly, the shares of Deniz Yatırım Menkul Kıymetler A.Ş. (Deniz Yatırım), Eurodeniz International Banking Unit Ltd. (Eurodeniz), Deniz Portföy Yönetimi A.Ş. (Deniz Portföy), Denizbank AG, JSC Denizbank, Deniz Finansal Kiralama A.Ş. (Deniz Leasing), Deniz Faktoring A.Ş. (Deniz Faktoring), Deniz Gayrimenkul Yatırım Ortaklığı A.Ş. (Deniz GYO), and CR Erdberg Eins GmbH & Co KG (CR Erdberg) and these subsidiaries are consolidated fully.

DFS Funding Corp., which is a structured entity, is also included in the scope of consolidation.

The non-financial subsidiaries of the parent bank; Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. (“Intertech”), Deniz Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş. (“Deniz Kültür”) and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. (“Bantaş”) which is jointly controlled company and affiliates of Intertech; Deniz Kartlı Ödeme Sistemleri A.Ş. and Açık Deniz Radyo ve Televizyon İletişim Yayıncılık Ticaret ve Sanayi A.Ş.; Ekspres Bilgi İşlem ve Ticaret Anonim Şirketi (“Ekspres Bilgi İşlem”) subsidiary of Deniz Yatırım, and Deniz Immobilien Service GMBH (“Deniz Immobilien”) subsidiary of Denizbank AG, since they are non-financial subsidiaries are excluded from the consolidation process.

#### **Important changes on consolidated subsidiaries in reporting period**

None.

#### **Consolidation principles for subsidiaries**

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method.

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

According to this method, the financial statements of the Parent Bank and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, income, expenses and off-balance sheet items, in preparing consolidated financial statements. Minority interests are presented separately in the consolidated balance sheet and consolidated income statement.

The carrying amount of the Parent Bank’s investment in each subsidiary and the Parent Bank’s portion of equity of each subsidiary are eliminated.

All intercompany transactions and intercompany balances between the consolidated subsidiaries and the Parent Bank are eliminated.

The financial statements which have been used in the consolidation are prepared as of 30 September 2019 and appropriate adjustments are made to financial statements to use uniform accounting policies for transactions and events alike in similar circumstances, in accordance with the principal of materiality.

### **IV. Explanations on forward transactions, options and derivative instruments**

DFS Group’s derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts.

In accordance with TFRS 9, forward foreign currency purchase/sale contracts, swaps, options and futures are classified as “Derivative Financial Assets/Liabilities at Fair Value Through Profit or Loss”. Derivative transactions are recorded with their fair values at contract date. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual notional amounts.

The derivative transactions are valued at fair value subsequent to initial recognition and are presented in the “Derivative Financial Assets/Liabilities at Fair Value Through Profit or Loss” items of the balance sheet depending on the resulting positive or negative amounts of the computed value. Gains and losses arising from a change in the fair value are recognized in the income statement. Fair values of derivatives are calculated using either discounted cash flow model or market value.

### **V. Explanations on interest income and expenses**

Interest income and expenses are recognized by applying the effective interest method. As of January 1, 2018, DFS Group has started to calculate accruals for its non-performing loans. The net book value of the non-performing loans (Gross Book Value - Expected Loss) is discounted with effective interest rate and recorded on the gross carrying amount of the non-performing loan.

**VI. Explanations on fees and commissions income and expenses**

Fees and commissions income and expenses are accounted for on an accrual basis or effective interest method and TFRS 15 "Revenue from Contracts with Customers" standard according to their nature excluding wage income related to certain banking transactions that are recorded as income in the period in which they are collected. Revenues provided through contracts or through services related to transactions such as the purchase or sale of assets for a third party or legal entity are recognized as income at the time of collection.

**VII. Explanations on financial assets**

DFS Group categorizes its financial assets as "Fair Value Through Profit or Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

DFS Group recognizes a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by the Parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Parent Bank's management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to earnings, losses or interest that were previously recorded in the financial statements.

**a. Financial assets at fair value through profit or loss**

"Financial assets at fair value through profit or loss" are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

**b. Financial assets at fair value through other comprehensive income**

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition an entity can choose in an irrevocable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

**c. Financial assets measured at amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

DFS Group has government securities with a maturity of 5-10 years and indexed to CPI in the 6 months real coupon ratios that remain constant throughout the maturity in the "Fair value through other comprehensive income" and "Measured at amortized cost" securities portfolios. As stated by Secretary of Treasury in CPI indexed investor guide, the reference indexes used in calculating the actual coupon payment amounts of these securities are based on the CPI indexes of two months ago. DFS Group predicts the inflation rate in parallel to those. In this context, as of 30 September 2019, valuation of these securities is made according to 9% annual inflation forecast.

**VIII. Explanations on expected credit loss**

As of 1 January 2018, the Bank allocates provisions for expected credit loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income, also loan commitments and non cash loans that are not carried at fair value through profit or loss in accordance with TFRS 9 'Financial Instruments' standard requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750.

The expected credit loss provision is weighted according to the probabilities determined by taking into consideration possible results and reflects the time value of money as a unbiased amount, past events, current conditions and forecasts of future economic conditions as reasonable and supportable information that can be obtained without incurring excessive cost or effort at the reporting date.

According to TFRS 9, after each financial instrument has been recognized for the first time in the financial statements for which there is a need for an impairment assessment, if there is a significant increase in the credit risk at each reporting date.

Estimated credit loss provision is calculated to estimate the loss if the financial instrument defaulted.

Due to the deterioration in credit quality since their initial recognition, financial instruments are allocated to one of the following stages:

**Stage 1:** Financial instruments with 12-months expected credit loss provision calculated, no significant increase in credit risk;

**Stage 2:** Financial instruments with a significant increase in credit risk and where the expected credit loss provision is calculated for lifetime;

**Stage 3:** impaired, non-performing (defaulted) loans.

The financial instruments in Stage 1 are financial instruments that has been recognized for the first time in the financial statements or do not have a significant increase in the credit risk after the initial recognition in the financial statements. For these instruments, credit risk impairment provision is calculated as the expected credit loss provision for 12-months default risk from the reporting date.

After the initial reporting period, a significant increase is observed in the credit risk and result of the provision for credit risk impairment for the financial instruments mentioned in Stage 2 is calculated as the expected loss provision over the remaining life from the reporting date. Loans for customers under the "Financial Restructuring Framework Agreement" are classified in Stage 2.

Financial instruments in Stage 3 are assumed to be defaulted and therefore impaired. For these assets, lifetime expected credit losses are recognized.

The expected credit loss provision is calculated as whole (collective) or separate (individual).

Financial instruments with common credit risk characteristics are grouped for the expected loan loss provisions calculated collectively.

In the Parent Bank, grouping of credit risks according to common characteristics was made according to 'risk segments'. The standards for the separation of credit risks by risk segments have been prepared in accordance with the Basel II recommendations for the assessment of capital adequacy based on credit risk in the context of the standard internal rating-based approach ("IRB"). The purpose of classifying credit risks according to risk segments is to determine the approach for analyzing and evaluating credit risk for the relevant risk segment.

The credit risk classification is as follows:

- Segment classification for non-retail loans is made at the counterparty level to collect all the risks of the counterparty only to a risk segment based on the credit products requested by the counterparty;
- Segment classification for retail loans is based on both product level and counterparty characteristics. This means that Credit risks of the other party can be classified into different risk segments.

The main groupings based on risk segments for the expected credit loss provision calculation are as follows:

- Corporate / Commercial loans
- OBI loans
- KBI loans
- Agricultural loans
- Consumer loans
- Mortgage loans
- Vehicle loans
- Overdraft
- Credit cards
- Loans granted to local governments
- Project financing loans
- Central administrations
- Banks

The expected loan loss provisions calculated collectively are calculated by using the components such as default amount (DA), default probability (DP), loss in default (LiD) and effective interest rate of the loan.

#### **Default amount**

The default amount is the expected economic receivable at the time of default.

In order to calculate the expected loan loss provision, the DA value of each loan is calculated by discounting the expected principal and interest payments from the future dates to the reporting date using the effective interest rate. The loan conversion rate is also applied to the DA value.

#### **Probability of default**

The probability of default indicates the probability of default of the debtor in a certain period of time.

There are two types of PD values calculated in accordance with TFRS 9 requirements:

- 12-month PD: Estimate the probability of default for 12 months after the reporting date of the financial instrument.
- Lifetime default probability: Estimated probability of default over the life of the financial instrument.

The credit ratings of the internal rating systems used by the Parent Bank in credit allocation processes are used to classify the customers in the expected credit loss provision calculations.

Internal rating systems used for non-individual customers are mainly divided into Corporate / Commercial, OBI, CBI and Agriculture model groups. The internal ratings in the Corporate / Commercial and OBI model groups take into account quantitative characteristics such as indebtedness, liquidity and size of the customer as well as qualitative assessment elements. The internal ratings in the KBI and Agriculture model groups reflect behavioral information such as the trend in the use rate of the entire banking sector in the banking sector, the duration of use of the CBM product in the Parent Bank, or the recent frequency of delays in loan payments.

Internal rating systems for retail consumers are differentiated at level Consumer, Mortgage, Vehicle Loans, Overdraft and Credit Card products group. In order to produce these scores, behavioral data such as the customer's trend in the limit usage rate in the Bank and the sector, the frequency of the delays in the current period, customers' ownerships of the cross products and their payment habits of the other products are used.

In the first step, the outputs of the internal rating systems are grouped on the basis of risk segments according to the common characteristics of credit risks for PD calculations in accordance with TFRS 9. Historical default data of these groups were prepared. A basket creation analysis was performed for the default data obtained for the purpose of obtaining reasonable and valid accumulated default rates.

PD curves are drawn by running regression method used by proper distribution through data obtained for the baskets. Since the PD values obtained represent PD values 'throughout the life cycle', they were converted to 'instant' PD values in accordance with TFRS 9. In the last step, macroeconomic expectations for PD value are reflected.

For credit risk groups that do not have sufficient historical default data, external default statistics or minimum PD rates in Basel documentation are used.

The internal validation of the process described above was carried out at the end of 2018.

#### **Loss given default**

In case of default, the loss refers to the ratio of the economic loss to the debtor has defaulted.

For the purpose of calculating the expected credit loss provision, two types of LGD rate is calculated: LGD ratio for the unsecured credit risk and LGD ratio for the collateralized credit risk.

The LGD ratio for unsecured credit risk was calculated using the Parent Bank's previous collection data and grouped on the basis of risk segments based on common characteristics of credit risks.

The following TFRS 9 requirements are taken into account for the LGD ratio calculation for unsecured credit risk:

- Long-term LGD is used (excluding regression effect)
- In the case of conservative approach it is excluded
- Excludes indirect costs in the case of existence
- The result figures are discounted by the effective interest rate

The LGD ratio for collateralized credit risk is calculated by considering the collateral structure for each loan. To calculate this ratio, the rates of consideration taken for the Parent Bank's collateral type, the periods of cash conversion and the effective interest rate of the loan to which the collateral belongs are used. Historical data and in the case of absent of it best estimates are used to determine the relevant rates of consideration and cash-through periods.

For unsecured credit risk groups with insufficient historical collection data, the standard rate included in the Basel documentation is used.

The internal validation of the process described above was carried out at the end of 2018.

#### **Effective interest rate**

The effective interest rate is the discount rate that equals the future expected cash receipts and collections that are expected to occur over the expected life of the financial asset or liability to the gross carrying amount of the financial asset or the amortized cost of the financial liability.

Other than the expected credit loss provisions calculated collectively, the expected credit loss provisions of the financial instruments that are subject to a coverage over a certain risk or which will be determined by the Parent Bank management are calculated based on the separate (individual) evaluation. In accordance with the Guideline on Calculation of Provision for Loan Losses in Accordance with TFRS 9 announced by the BRSA on 26 February 2018, the calculation was made using at least two scenarios for each financial instrument in accordance with the discounted cash flow method. The ultimate expected credit loss provision of the financial instrument is based on the fact that the expected credit loss provisions calculated for the related scenarios are weighted by the probability of realization of the scenarios.

#### **Low credit risk**

In accordance with TFRS 9, the risk of the default of the financial instrument is low, the borrower has a strong structure to meet the contractual cash flow obligations in the short term, and the negative changes in the economic conditions and operating conditions in the longer term reduce the power of the debtor to fulfill the contractual cash flow obligations. the credit risk of the financial instrument is considered to be low.



It has not been concluded that financial instruments have a low credit risk only if the risk of loss of the financial instruments is considered to be low due to the value of the collateral and if the credit risk of the related financial instrument is not evaluated as low.

Furthermore, it is not considered that the financial instruments have a low credit risk only because they have less risk than the other financial instruments of the enterprise or the credit risk of the region where the business is operating.

In the case of low risk determination of any financial instrument and also assuming that the first contact of the credit risk is not significantly increased after the financial statements, the relevant financial instrument is evaluated in Stage 1.

Financial instruments considered to have a low credit risk under TFRS 9 are presented below:

- Receivables from CBRT.
- Risks in the case of the counterparty is the TC Treasury
- Loans to subsidiaries of the main shareholder.
- Transactions with banks with AAA rating

#### **The Participation of Senior Management of the Bank to the IFRS 9 Process**

Principles and Procedures for the Classification of Loans and Provisions to be Reserved in the Official Gazette dated June 22, 2016 and numbered 29750 within the scope of the regulations related to internal systems, risk management, corporate governance and credit classification, which are issued pursuant to the Banking Law No. 5411 In accordance with Article 20 of the By-Law, 'TFRS 9 Management Committee' has been established in accordance with the 'Guide on the Calculation of Provision for Loan Loss Expected under TFRS 9' prepared by the BRSA.

In accordance with TFRS 9, the Committee is responsible for the control of the classification and measurement of financial instruments, the approval of business models and an adequate calculation of the expected credit loss provision. The Committee is also responsible for ensuring that the DFS Group's existing policies and processes' control to establish and maintain in accordance with TFRS 9 and relevant good practice guidelines

The Committee is responsible for ensuring that the expected credit loss provisions are based on reliable and robust methods, that these methods are documented, developed, updated in a timely manner and are accounted for as required.

Executive Board Member responsible for Loans, Assistant General Manager responsible for Financial Affairs, Assistant General Managers responsible for the duties of the Board member charging with loans and Assistant General Manager responsible for Risk Management are the among of members of Committee.

#### **IX. Explanations on offsetting financial instruments**

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

#### **X. Explanations on sale and repurchase agreements and transactions related to the lending of securities**

Government bonds and treasury bills sold to customers under repurchase agreements are classified according to purpose of being hold into portfolio on the assets side of the accompanying consolidated balance sheet within "Financial assets at fair value difference through profit or loss", "Financial assets at fair value difference through other comprehensive income" and "Measured at amortized cost" and are measured according to valuation principles of relating portfolio. Funds obtained from repurchase agreements are presented on the liability side of the consolidated balance sheet within the account of "Receivables from money market". The accrual amounts corresponding to the period is calculated over the sell and repurchase price difference determined in repurchase agreements. Accrued interest expenses calculated for funds obtained from repurchase agreements are presented in "Due to money markets" account in liability part of the consolidated balance sheet.

Securities received with resale commitments are presented under "Due from money markets" line in the balance sheet. The accrual amounts for the corresponding part to the period of the resale and repurchase price difference determined in reverse repurchase agreements are calculated using the effective interest method. The Parent Bank has no securities which are subject to borrowing activities.

## **XI. Explanations on assets held for sale and discontinued operations and related liabilities**

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements in accordance with the regulations of "Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations (TFRS 5)".

A discontinued operation is a division of a bank that is either disposed or held for sale and represents a separate major line of business or geographical area of operations; or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

As 30 September 2019, DFS Group does not have non-current assets held for sale and discontinued operations.

## **XII. Explanations on goodwill and other intangible assets**

### **a. Goodwill**

Goodwill represents the excess of the total acquisition costs over the shares owned in the net assets of the acquired company at the date of acquisition. The "net goodwill" resulted from the acquisition of the investment and to be included in the consolidated balance sheet, is calculated based on the financial statements of the investee company as adjusted according to the required accounting principles. Assets of the acquired company which are not presented on financial statements but separated from goodwill represented with fair values of tangible assets (credit card brand equity, customer portfolio etc.) and/or contingent liabilities to financial statements in process of acquisition.

In accordance with "TFRS 3 - Business Combinations", the goodwill is not amortized instead it is tested yearly or more frequently when they indicate that changes in circumstances may result in impairment according to "Turkish Accounting Standard 36 (TAS 36) - Impairment of Assets".

### **b. Other intangible assets**

Intangible assets are initially measured at acquisition cost and other costs which are required for activation of the financial asset in accordance with TAS 38 "Intangible Assets" standard. Intangible assets are evaluated over excess value of net cost that derived from accumulated depreciation and accumulated impairment after recognition period.

The Group's intangible assets consist of software, license rights, data/telephone line, total values of credit cards and personal loans portfolio.

Intangible assets purchased before 1 January 2003 and after 31 December 2006 are amortized on a straight-line basis; and those purchased between the aforementioned dates are amortized by using the double-declining method. Useful life of an asset is estimated by assessment of the expected life span, technical, and technological wear outs of the asset. The amortization rates used approximate the useful lives of the assets.

Maintenance costs associated with the computer software that are in use are expensed at the period of occurrence.

## **XIII. Explanations on tangible assets**

DFS Group has passed to revaluation model from cost model in the framework of TAS 16 "Tangible Fixed Assets" in valuation of properties in use as of 31 December 2016, while it tracks all of its remaining tangible fixed assets by cost model in accordance with TAS 16. Positive differences between property value in expertise reports prepared by licensed valuation firms and net carrying amount of the related property are recorded under equity accounts while negative differences are posted to the income statement.

	<b>Estimated Economic Life (Year)</b>	<b>Depreciation Rate</b>
<b>Movables</b>		
- Office machinery	4 Years	10 % - 50 %
- Furniture and fixtures	5 Years	10 % - 50 %
- Motor vehicles	5 Years	20 % - 50 %
- Other equipment	10 Years	2,50 % - 50 %
<b>Real estate</b>	50 Years	2 % - 3,03 %

Maintenance and repair costs that are routinely made on tangible assets are expensed. The capital expenditures incurred in order to increase the capacity of the tangible asset or to increase the future benefit of the asset are capitalized on the cost of the tangible asset.

There are no restrictions such as pledges and mortgages on tangible assets or no purchase commitments.

**XIV. Explanations on investment properties**

Land and buildings that are held for rental yields or for capital appreciation or both, rather than held in the production or supply of goods or services or for administrative purposes or for the sale in the ordinary course of business are classified as “investment property”. Investment property is carried at fair value. Gains or losses arising from a change in the fair value of investment property are recognized in the income statement in the period in which they occur.

Investment property is derecognized through disposal or withdrawal from use and when no future economic benefit is expected from its disposal. Gains or losses arising from the disposal of investment property are recognized in the related statement of income or expense accounts in the period in which they occur.

**XV. Explanations on leasing activities**

Fixed assets acquired through financial leasing are recognized in tangible assets and depreciated in line with the fixed assets group they relate to. The obligations under finance leases arising from the lease contracts are presented under “Lease Payables” account in the balance sheet. Interest expense and currency exchange rate differences related to leasing activities are recognized in the income statement.

DFS Group has finance lease transactions as “lessor” via its subsidiary, Deniz Leasing. The lease receivables related to leased assets are recorded as finance lease receivables. The asset subject to the financial leasing is presented in the balance sheet as receivable equal to the net leasing amount. Interest income is recognized over the term of the lease using the net investment method which reflects a constant periodic rate of return and the unrecognized portion is followed under unearned interest income account.

With the “TFRS 16 Leases” standard effective from 1 January 2019, the difference between operating leases and financial leases has been eliminated and the leasing transactions have been presented under “Liabilities from Leasing Operations”. Impacts and adoption of transition to TFRS 16 is disclosed in Section three notes XXVI.

**XVI. Explanations on provisions and contingent liabilities**

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

**XVII. Explanations on obligations for employee benefits**

Provision for employee benefits has been accounted for in accordance with TAS 19 “Employee Benefits”.

The Parent Bank in accordance with existing legislation in Turkey, is required to make retirement and notice payments to each employee whose employment is terminated due to reasons other than resignation or misconduct. Except to the this extents, the Parent Bank is required to make severance payment to each employee whose employment is terminated due to retirement, death, military service and to female employees following their marriage within one year leave the job of their own accords by fourteenth clause of Labor Law.

DFS Group, in accordance with TAS 19 “Employee Benefits” realized provision registry under the condition of prediction of present value of possible liability in the future related to employee termination benefits. Losses and gains which occur after 1 January 2013 are adjusting under the Equity Accounts in accordance with updated TAS 19 Standard.

DFS Group has recognized vacation pay liability amount which is calculated from unused vacation to financial statement as a provision.

**XVIII. Explanations on taxation**

**a. Current taxes**

By the provisional article added to Corporate Tax Law no.5520 by the Clause 91 of law no.7061, current tax rate is declared to be 22% for corporations in 2018, 2019 and 2020 taxation periods.

Companies file their corporate tax returns between the 1st and 25th days of the following four months period after to which they relate and the payments are made until the end of that month.

The provision for corporate tax for the period is reflected as the "Current Tax Liability" in the liabilities and "Current Tax Provision" in the income statement.

In accordance with the Corporate Tax Law, tax losses can be carried forward for five years. The tax authorities can inspect tax returns and the related accounting records back to a maximum period of five years.

Besides institutions reside in Turkey, dividends paid to the offices or the institutions earning through their permanent representatives in Turkey are not subject to withholding tax. According to the decision no. 2006/10731 of the Council of Ministers published in the Official Gazette no. 26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. In this respect, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the institutions residing in Turkey is 15%. While applying the withholding tax rates on dividend payments to the foreign based institutions and the real persons, the withholding tax rates covered in the related Avoidance of Double Taxation Treaty are taken into account. Addition of profit to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The foreign subsidiaries of DFS Group that operate in Austria, the Russian Federation and Cyprus are subject to corporate tax rates of 25%, 20% and 2%, respectively.

Tax effects of items that are accounted for under the shareholders' equity are also recorded under equity accounts.

**b. Deferred taxes**

In accordance with TAS 12 "Income Taxes", DFS Group accounts for deferred taxes based on the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Individual deferred tax assets and liabilities of the consolidated entities have been offset in their separate financial statements, but have not been offset in the consolidated balance sheet. As a result of offsetting, as of 30 September 2019 deferred tax assets of TL 1.332.150 (31 December 2018: TL 1.213.623) and deferred tax liabilities of TL 25.233 (31 December 2018: TL 25.828) have been recognized in the accompanying financial statements.

Deferred tax liabilities are generally recognized for all taxable temporary and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets has started to be recognized over temporary expected provision losses differences according to TFRS 9 articles from 1 January 2018.

Deferred taxes directly related to equity items are recognized and offset in related equity accounts.

**c. Transfer pricing**

In the framework of the provisions on "Disguised Profit Distribution Through Transfer Pricing" regulated under article 13 of Corporate Tax Law no. 5520, pursuant to the Corporate Tax Law General Communiqué no. 1, which became effective upon its promulgation in the Official Gazette dated 3 April 2007 and numbered 26482, Corporate Tax Law General Communiqué no. 3, which became effective upon its promulgation in the Official Gazette dated 20 November 2008 and numbered 27060, Council of Ministers Decree no. 2007/12888, which became effective upon its promulgation in the Official Gazette dated 6 December 2007 and numbered 26722, Council of Minister Decree no. 2008/13490, which became effective upon its promulgation in the Official Gazette dated 13 April 2008 and numbered 26846, "General Communiqué No. 1 on Disguised Profit Distribution Through Transfer Pricing", which became effective upon its promulgation in the Official Gazette dated 18 November 2007 and numbered 26704 and "General Communiqué No. 2 on Disguised Profit Distribution Through Transfer Pricing", which became effective upon its promulgation in the Official Gazette dated 22 April 2008 and numbered 26855, "General Communiqué No. 3 on Disguised Profit Distribution Through Transfer Pricing", which became effective upon its promulgation in the Official Gazette dated 7 December 2017 and numbered 30263, profits shall be deemed to have been wholly or partially distributed in a disguised manner through transfer pricing if companies engage in the sales or purchases of goods or services

with related parties at prices or amounts defined contrary to the arm's length principle. Buying, selling, manufacturing and construction operations and services, renting and leasing transactions, borrowing or lending money, bonuses, wages and similar payments are deemed as purchase of goods and services in any case and under any condition.

Corporate taxpayers are obliged to fill in the "The Form on Transfer Pricing, Controlled Foreign Corporation and Thin Capital" regarding the purchases or sales of goods or services they perform with related parties during a fiscal period and submit it to their tax office in the attachment of the corporate tax return.

Furthermore, the taxpayers registered in the Large Taxpayers Tax Administration (Büyük Mükellefler Vergi Dairesi Başkanlığı) must prepare the "Annual Transfer Pricing Report" in line with the designated format for their domestic and cross-border transactions performed with related parties during a fiscal period until the filing deadline of the corporate tax return, and if requested after the expiration of this period, they must submit the report to the Administration or those authorized to conduct tax inspection.

**XIX. Additional explanations on borrowings**

Borrowings are initially recognized at cost representing their fair value and remeasured at amortized cost based on the internal rate of return at next periods. Foreign currency borrowings have been translated using the foreign currency buying rates of the Parent Bank at the balance sheet date. Interest expense incurred for the period has been recognized in the accompanying financial statements.

General hedging techniques are used for borrowings against liquidity and currency risks. The Parent Bank, if required, borrows funds from domestic and foreign institutions. The Parent Bank also borrows funds in the forms of syndication loans and securitization loans from foreign institutions.

**XX. Explanations on issuance of share certificates**

In 2019 and 2018, the Parent Bank does not have issuance of share certificates.

**XXI. Explanations on acceptances**

Acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts, if any.

As of the balance sheet date, there are no acceptances recorded as liability in return for assets.

**XXII. Explanations on government grants**

As of the balance sheet date, DFS Group does not have any government grants.

**XXIII. Explanations on segment reporting**

Segment reporting is presented in Note IX of Section Four.

**XXIV. Explanations on other matters**

None.

**XXV. Classifications**

In order to comply with the presentation of 30 September 2019 financial statements, the financial statements as of 31 December 2018 and the statement of profit or loss as of 30 September 2018, other comprehensive income statement, equity movement table and cash flow statement are reclassified.

**XXVI. Explanations on TFRS 16 Leases standard**

At the beginning of a contract, the Group assesses whether the contract has a lease qualification or include a lease transaction. In the event that the contract is transferred for a certain period of time to the right to control the use of the asset defined for a price, this contract is of a rental nature or includes a lease transaction. The Group reflects the existence of a right of use and a lease obligation to the financial statements at the date the lease is commenced.

**Right-of-use asset**

The right-of-use asset is initially recognized by cost method and includes:

- The first measurement amount of the lease obligation,
- The amount obtained by deducting all rental incentives received from all lease payments made at or before the date of the rental,
- All initial direct costs incurred by the Group

When the Group applying cost method, the existence of the right-of-use:

- Accumulated depreciation and accumulated impairment losses are deducted and
- Measures the restatement of the lease obligation over the adjusted cost.

The Group applies depreciation provisions in TAS 16 Tangible Assets standard while depreciating the right-of-use.

#### **Lease obligation**

At the effective date of the lease, the Group measures the leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the implied interest rate at the lease if this rate can be easily determined. The Group uses the Group's alternative borrowing interest rate if this rate cannot be easily determined.

Lease payments included in the measurement of the lease liability at the date of the lease's actual start date shall be made for the right of use during the lease term of the underlying asset and consists of the payments which have not been paid at the date of the rental. After the effective date of the lease, the Group measures the lease obligation as follows:

- Increase the book value to reflect the interest on the lease obligation,
- Reduces the book value to reflect the lease payments made and
- Remeasures the book value to reflect revaluations and reconstructions, or to reflect rental payments that are fixed at the revised basis.

The interest on the lease liability for each period of the lease term is the amount found by applying a fixed periodic interest rate to the remaining balance of the lease liability.

#### **Transition to TFRS 16**

"TFRS 16 Leases" Standard was published in the Official Gazette dated 16 April 2018 and numbered 29826, to be applied in the accounting periods beginning after 31 December 2018. The Group has applied TFRS 16 "Leases" standard as of 1 January 2019 that is the first application date, instead TMS 17 "Leasing Transactions".

The Group applied TFRS 16 with a simplified transition application approach and did not rearrange comparable amounts for the previous year.

Lease agreements for vehicles and ATMs, which are determined as low-value by the Group, with short term lease agreements that is 12 months and less, have been evaluated under the exception granted by the standard, and payments for these contracts are recorded as expense in the period in which they are incurred.

As of 1 January 2019, when the TFRS 16 is effective, information on the right-of-use and the lease liability is as follows:

	<b>1 January 2019</b>
Properties	703.772
<b>Total right-of-use</b>	<b>703.772</b>
	<b>1 January 2019</b>
Operational lease commitments	1.499.631
Contracts excluded from TFRS 16 (-)	139.261
Total lease liability	1.360.370
<b>Discounted lease liabilities</b>	<b>690.718</b>

As of 30 September 2019, the net usage right of the consolidated financial statements is TL 596.201 and the net lease liability is TL 629.535.

## **SECTION FOUR**

### **CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT**

#### **I. Explanations related to the consolidated shareholders' equity**

Capital and capital adequacy ratio are calculated in accordance with the "Regulation on Equities of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The current period equity of the Group is TL 23.722.246 (31 December 2018: TL 22.751.004) while its capital adequacy standard ratio is 14,83% as of 30 September 2019 (31 December 2018: 14,93%).

##### **a. Components of consolidated capital**

	<b>Current Period 30 September 2019</b>	<b>Prior Period 31 December 2018</b>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.316.100	3.316.100
Share issue premiums	15	15
Reserves	7.294.331	5.111.808
Gains recognized in equity as per TAS <sup>(1)</sup>	2.281.892	2.295.369
Profit	5.013.061	6.189.284
Current Period Profit	1.006.300	2.199.647
Prior Period Profit	4.006.761	3.989.637
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	778	708
Minorities' Share	14.311	14.396
<b>Common Equity Tier I Capital Before Deductions</b>	<b>17.920.488</b>	<b>16.927.680</b>
<b>Deductions from Common Equity Tier I Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	--	--
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	251.443	858.359
Improvement costs for operating leasing	69.661	90.968
Goodwill (net of related tax liability)	--	--
Other intangibles other than mortgage-servicing rights (net of related tax liability)	309.098	271.191
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	--	296.702
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	--	--
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	--	--
Gains arising from securitization transactions	--	--
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	--	--
Defined-benefit pension fund net assets	--	--
Direct and indirect investments of the Bank in its own Common Equity	--	--
Shares obtained contrary to the 4th clause of the 56th Article of the Law	--	--
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	--	--
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	--	--
Portion of mortgage servicing rights exceeding 10% of the Common Equity	--	--
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	--	--
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	--	--
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	--	--
Excess amount arising from mortgage servicing rights	--	--
Excess amount arising from deferred tax assets based on temporary differences	--	--
Other items to be defined by the BRSA	--	--
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	--	--
<b>Total Deductions From Common Equity Tier I Capital</b>	<b>630.202</b>	<b>1.517.220</b>
<b>Total Common Equity Tier I Capital</b>	<b>17.290.286</b>	<b>15.410.460</b>

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<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	--	--
Debt instruments and premiums approved by BRSA	--	--
Debt instruments and premiums approved by BRSA (Temporary Article 4)	--	--
Third parties' share in the Additional Tier I capital	--	--
Third parties' share in the Additional Tier I capital (Temporary Article 3)	--	--
<b>Additional Tier I Capital before Deductions</b>	--	--
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	--	--
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7. -	--	--
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital -	--	--
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital -	--	--
Other items to be defined by the BRSA	--	--
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	--	--
Net deferred tax asset/liability which is not deducted from Common Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	--	--
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	--	--
<b>Total Deductions From Additional Tier I Capital</b>	--	--
<b>Total Additional Tier I Capital</b>	--	--
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>17.290.286</b>	<b>15.410.460</b>
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	4.630.837	5.606.183
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	--	--
Third parties' share in the Tier II Capital	--	--
Third parties' share in the Tier II Capital (Temporary Article 3)	--	--
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.813.800	1.749.362
<b>Tier II Capital Before Deduction</b>	<b>6.444.637</b>	<b>7.355.545</b>
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	--	--
Investments of Bank to Banks that invest on Bank's Tier II and components of equity issued by financial institutions with the conditions declared in Article 8.	--	--
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	--	--
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	--	--
Other items to be defined by the BRSA (-)	--	--
<b>Total Deductions from Tier II Capital</b>	--	--
<b>Total Tier II Capital</b>	<b>6.444.637</b>	<b>7.355.545</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>23.734.923</b>	<b>22.766.005</b>
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	--	--
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	--	--
Other items to be defined by the BRSA (-)	12.677	15.001
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not be deducted from Common Equity Tier I capital, Additional Tier I of the issued common share capital of the entity which will not be deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	--	--
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not be deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	--	--
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not be deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	--	--
<b>TOTAL CAPITAL</b>		
Total Capital ((The sum of Tier I Capital and Tier II Capital)	23.722.246	22.751.004
Total risk weighted amounts	159.980.060	152.368.431
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	10,81	10,11
Tier I Capital Adequacy Ratio (%)	10,81	10,11
Capital Adequacy Ratio (%)	14,83	14,93



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**BUFFERS**

Total additional Common Equity Tier I Capital requirement ratio	2,646	1,989
Bank specific total common equity tier I capital ratio (%)	2,500	1,875
Capital conservation buffer requirement (%)	0,146	0,114
Systemic significant bank buffer ratio (%)	--	--
The ratio of Additional Common Equity Tier I 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 (%)	1,061	1,063
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of Consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	--	--
Portion of the total of investments in equity items of Consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	--	--
Amount arising from mortgage-servicing rights	--	--
Amount arising from deferred tax assets based on temporary differences	--	--
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before one hundred twenty five in ten thousand limitation)	5.097.744	3.221.135
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.813.800	1.749.362
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	--	--
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
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 <sup>(2)</sup>	--	--
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	--	--

(1) As of May, 2018, the difference between the expected loan loss provisions calculated in accordance with TFRS 9 and the total provision amount calculated before the application of TFRS 9 has been recorded in "Prior Years' Profit and Loss" account. Therefore, in accordance with Provisional Article 5 of the "Regulation on Equity of Banks", this amount has started to be shown net in the calculation of equity by adding 60% of the portion after deduction of the tax amount resulting from the difference (31 December 2018: 80%).

(2) There are no credits included in Tier II capital related to "Temporary Article 4".

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**b. Information on debt instruments included in the calculation of equity**

Issuer	ENBD PJSC	ENBD PJSC	ENBD PJSC	ENBD PJSC	ENBD PJSC
Unique identifier (eg CUSIP, ISIN)	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans
Governing law(s) of the instrument	"Regulations on Banks' Equity" dated 5 September 2013.	"Regulations on Banks' Equity" dated 5 September 2013.	"Regulations on Banks' Equity" dated 5 September 2013.	"Regulations on Banks' Equity" dated 1 November 2006.	"Regulations on Banks' Equity" dated 1 November 2006.
<b>Regulatory treatment</b>					
Subject to 10% deduction as of 1/1/2015	Not Deducted	Not Deducted	Not Deducted	Not Deducted	Not Deducted
Eligible at solo/group/solo	Eligible	Eligible	Eligible	Eligible	Eligible
Instrument type	Loan	Loan	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	567	678	1.354	1.016	1.016
Par value of instrument (Currency in mil)	709	847	1.693	1.693	1.693
Accounting classification	3470102	3470102	3470102	3470102	3470102
Original date of issuance	30.09.2014	30.04.2014	31.01.2014	30.09.2013	28.06.2013
Perpetual or dated	Dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full on condition that it is at fifth years of the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full on condition that it is at fifth years of the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full or partially at any time before the planned repayment date, on condition that it is at least 5 years after the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full or partially at any time before the planned repayment date, on condition that it is at least 5 years after the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full or partially at any time before the planned repayment date, on condition that it is at least 5 years after the loan is given.
Subsequent call dates, if applicable	None.	None.	None.	None.	None.
<b>Coupons/Dividends</b>					
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	First five year 6,2%, after irs +5,64	First five year 7,93%, after irs +6,12	7,50%	7,49%	6,10%
Existence of a dividend stopper	None.	None.	None.	None.	None.
Fully discretionary, partially discretionary or mandatory	--	--	--	--	--
Existence of step up or other incentive to redeem	None.	None.	None.	None.	None.
Noncumulative or cumulative	--	--	--	--	--
<b>Convertible or non-convertible</b>					
If convertible, conversion trigger (s)	May be fully or partially extinguished principal amount and interest payment liabilities of loan or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be fully or partially extinguished principal amount and interest payment liabilities of loan or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be permanently or temporarily derecognized or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be permanently or temporarily derecognized or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be permanently or temporarily derecognized or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.
If convertible, fully or partially	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.
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	--	--	--	--	--
<b>Write-down feature</b>					
If write-down, write-down trigger(s)	None.	None.	None.	None.	None.
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)	In the event of the litigation of the Bank, gives the owner the authority to collect the claim after the borrowing instruments to be included in the additional principal capital and after deposit holders and all other claimants.	In the event of the litigation of the Bank, gives the owner the authority to collect the claim after the borrowing instruments to be included in the additional principal capital and after deposit holders and all other claimants.	In the event of the litigation of the Bank, gives the owner the authority to collect the claim after the borrowing instruments to be included in the additional principal capital and after deposit holders and all other claimants.	Gives the owner the right to collect the claim before share certificates and primary subordinated debts and after all other debts.	Gives the owner the right to collect the claim before share certificates and primary subordinated debts and after all other debts.
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possessed for Article 8.	Possessed for Article 8.	Possessed for Article 8.	Possessed for Article 8.	Possessed for Article 8.
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	--	--	--	--	--

Following the completion of the shares transfer of the Parent Bank on 31 July 2019, subordinated loans used by the Parent Bank from Sberbank have been transferred to ENBD.

- c.** Main differences between "Equity" amount mentioned in the prior tables' equity statements and "Equity" amount in consolidated balance sheet arise from first and second stage loss provisions. The portion of main amount to credit risk of first and second stage loss provisions up to 1,25% considered as supplementary capital in the calculation of "Equity" amount included in equity statement as result of deductions mentioned in scope of Regulation on Equity of Banks. Additionally, Losses reflected to equity are determined through excluding losses sourcing from cash flow hedge reflected in equity in accordance with TAS which are subjects of discount from Core Capital. On the other hand, leasehold improvement costs monitored under Plant, Property and Equipment in balance sheet, intangible assets and deferred tax liabilities related to intangible assets, net carrying value of properties acquired in return for receivables and kept for over three years and certain other accounts determined by the Board are taken into consideration in the calculation as assets deducted from capital.

**d. Explanations on provisional article 5 of the regulation on the equity of banks**

<b>EQUITY COMPONENTS</b>	<b>T-1</b>	<b>T-2</b>	<b>T-3</b>	<b>T-4</b>
Core Capital	17.290.286	17.290.286	17.290.286	17.290.286
<i>Transition Process Unapplied Core Capital</i>	<i>16.897.242</i>	<i>17.028.257</i>	<i>17.159.271</i>	<i>17.290.286</i>
Tier I Capital	17.290.286	17.290.286	17.290.286	17.290.286
<i>Transition Process Unapplied Main Capital</i>	<i>16.897.242</i>	<i>17.028.257</i>	<i>17.159.271</i>	<i>17.290.286</i>
Equity	23.722.246	23.722.246	23.722.246	23.722.246
<i>Transition Process Unapplied Equity</i>	<i>23.329.202</i>	<i>23.460.217</i>	<i>23.591.231</i>	<i>23.722.246</i>
<b>TOTAL RISK WEIGHTED AMOUNTS</b>				
Total Risk Weighted Amounts	159.980.060	159.980.060	159.980.060	159.980.060
<b>CAPITAL ADEQUACY RATIO</b>				
Core Capital Adequacy Ratio (%)	10,81	10,81	10,81	10,81
<i>Transition Process Unapplied Core Capital Adequacy Ratio (%)</i>	<i>10,56</i>	<i>10,64</i>	<i>10,73</i>	<i>10,81</i>
Main Capital Adequacy Ratio (%)	10,81	10,81	10,81	10,81
<i>Transition Period Unapplied Main Capital Adequacy Ratio (%)</i>	<i>10,56</i>	<i>10,64</i>	<i>10,73</i>	<i>10,81</i>
Capital Adequacy Ratio (%)	14,83	14,83	14,83	14,83
<i>Transition Process Unapplied Capital Adequacy Ratio (%)</i>	<i>14,58</i>	<i>14,66</i>	<i>14,75</i>	<i>14,83</i>
<b>LEVERAGE RATIO</b>				
Total Leverage Ratio Risk Exposure	284.577.648	284.577.648	284.577.648	284.577.648
Leverage Ratio	5,98	5,98	5,98	5,98
<i>Transition Process Unapplied Leverage Ratio</i>	<i>5,83</i>	<i>5,88</i>	<i>5,93</i>	<i>5,98</i>

**II. Explanations related to the consolidated foreign currency exchange rate risk**

**a. Foreign exchange rate risk the Group is exposed to, related impact estimations, and the limits set by the Board of Directors of the Parent Bank for positions which are monitored daily**

Foreign currency exchange rate risk can be taken by DFS Group within defined position and value at risk limits. Measurable and manageable risks are taken within legal limits.

Foreign exchange rate risk is monitored along with potential evaluation differences in foreign currency transactions in accordance with "Regulation on Bank's Internal Systems and Internal Capital Adequacy Assessment Process". Value at Risk approach is used to measure the exchange rate risk for trading positions and calculations are made on a daily basis.

Based on general economic environment and market conditions the Parent Bank's Board of Directors reviews the risk limits and makes changes where necessary.

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

In accordance with TFRS 9, DFS Group applies net investment hedge accounting to avoid foreign currency exchange rate risk arising from retranslation of its foreign investments in its consolidated financial statements.

Information relating to investment hedge to avoid foreign currency exchange rate risk arising from retranslation of its foreign investments are explained in Note VIII-a of Section Four.

**c. Foreign currency risk management strategy**

Foreign exchange risk can be taken by DFS Group within defined position and value at risk limits. Measurable and manageable risks are taken within legal limits.

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

US Dollar purchase rate as at the balance sheet date	TL 5,6437
Euro purchase rate as at the balance sheet date	TL 6,1671

<b>Date</b>	<b>US Dollar</b>	<b>Euro</b>
24 September 2019	5,6743	6,2381
25 September 2019	5,6882	6,2544
26 September 2019	5,6659	6,1982
27 September 2019	5,6591	6,1836
30 September 2019	5,6437	6,1671

**e. The basic arithmetical average of the Parent Bank's foreign exchange bid rate for the last thirty days prior to the balance sheet date**

The arithmetical average US Dollar and Euro purchase rates for September 2019 are TL 5,7009 and TL 6,2803.

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**f. Information on currency risk**

<b>Current Period</b>	<b>EURO</b>	<b>USD</b>	<b>Other FC <sup>(5)</sup></b>	<b>Total</b>
<b>Assets</b>				
Cash Equivalents and Central Bank	19.058.810	6.501.935	2.723.977	<b>28.284.722</b>
Banks	2.239.502	3.359.928	301.163	<b>5.900.593</b>
Financial Assets at Fair Value through Profit or Loss (Net) <sup>(1)</sup>	840.412	143.834	1	<b>984.247</b>
Due from Money Markets	--	--	--	<b>--</b>
Financial Assets at Fair Value through Other Comprehensive Income	5.023.026	3.248.076	185.047	<b>8.456.149</b>
Loans <sup>(2)</sup>	46.937.339	27.954.985	1.524.659	<b>76.416.983</b>
Investments in Associates, Subsidiaries and Joint Ventures	216	--	--	<b>216</b>
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	167.525	2.396.263	--	<b>2.563.788</b>
Hedging Derivative Financial Assets	--	--	--	<b>--</b>
Tangible Assets (Net)	265.354	80	2.547	<b>267.981</b>
Intangible Assets (Net) <sup>(3)</sup>	--	--	--	<b>--</b>
Other Assets <sup>(4)</sup>	290.283	756.669	177.686	<b>1.224.638</b>
<b>Total Assets</b>	<b>74.822.467</b>	<b>44.361.770</b>	<b>4.915.080</b>	<b>124.099.317</b>
<b>Liabilities</b>				
Bank Deposits	1.282.673	623.369	107.309	<b>2.013.351</b>
Foreign Currency Deposits	62.766.441	36.333.816	2.911.299	<b>102.011.556</b>
Due to Money Markets	--	--	--	<b>--</b>
Funds Borrowed	3.770.945	12.974.953	1	<b>16.745.899</b>
Securities Issued	293.530	--	--	<b>293.530</b>
Miscellaneous Payables	--	--	--	<b>--</b>
Hedging Derivative Financial Liabilities	--	--	--	<b>--</b>
Other Liabilities <sup>(6)</sup>	1.704.882	3.993.988	18.959	<b>5.717.829</b>
<b>Total Liabilities</b>	<b>69.818.471</b>	<b>53.926.126</b>	<b>3.037.568</b>	<b>126.782.165</b>
<b>Net on Balance Sheet Position</b>	<b>5.003.996</b>	<b>(9.564.356)</b>	<b>1.877.512</b>	<b>(2.682.848)</b>
<b>Net off-Balance Sheet Position <sup>(7)</sup></b>	<b>(4.357.679)</b>	<b>9.694.673</b>	<b>(1.352.435)</b>	<b>3.984.559</b>
Financial Derivative Assets	17.312.522	30.431.223	3.747.096	<b>51.490.841</b>
Financial Derivative Liabilities	(21.670.201)	(20.736.550)	(5.099.531)	<b>(47.506.282)</b>
<b>Net Positions</b>	<b>646.317</b>	<b>130.317</b>	<b>525.077</b>	<b>1.301.711</b>
Non Cash Loans	10.011.480	10.925.823	1.153.357	<b>22.090.660</b>
<b>Prior Period</b>				
Total Assets	68.296.873	44.561.598	4.680.518	<b>117.538.989</b>
Total Liabilities	66.947.498	48.341.640	5.009.649	<b>120.298.787</b>
<b>Net on Balance Sheet Position</b>	<b>1.349.375</b>	<b>(3.780.042)</b>	<b>(329.131)</b>	<b>(2.759.798)</b>
<b>Net off-Balance Sheet Position</b>	<b>(623.461)</b>	<b>3.309.689</b>	<b>775.877</b>	<b>3.462.105</b>
Financial Derivative Assets	22.861.903	29.344.079	2.172.181	<b>54.378.163</b>
Financial Derivative Liabilities	(23.485.364)	(26.034.390)	(1.396.304)	<b>(50.916.058)</b>
<b>Net Positions</b>	<b>725.914</b>	<b>(470.353)</b>	<b>446.746</b>	<b>702.307</b>
Non Cash Loans	10.210.179	11.937.016	772.376	<b>22.919.571</b>

- (1) : Foreign currency differences of derivative assets amounting to TL 352.511 are excluded.  
(2) : Foreign currency indexed loans amounting to TL 1.800.164 are included. Stage 1 and Stage 2 loan provisions amounting to TL (672.383) and financial assets measured at amortized cost amounting to TL (74) are not included.  
(3) : Intangible assets amounting to TL 36.510 are not included.  
(4) : Prepaid expenses amounting to TL 121.452 and Stage 1 and Stage 2 provisions for financial assets amounting to TL (3.615) are not included.  
(5) : There are gold amounts in total assets amounting to TL 3.759.191 and in total liabilities amounting to TL 1.499.322.  
(6) : Not including the exchange rate difference of TL 630.177 pertaining to derivative financial assets and the FX equity of TL 8.308.590.  
(7) : Net amount of receivables and liabilities from financial derivatives is shown on the table. FX swap transactions that are reported under the "Financial Assets Purchase Pledges" are included in "Net Off-Balance Sheet Position".

### III. Explanations related to the consolidated interest rate risk

Interest rate risk arises from disagreements between the repricing dates of the assets, liabilities and off-balance sheet items (for floating-rate products) or maturities (for fixed-rate products). Although this dispute is a structural situation in the banking system, it may affect the bank's interest income and expense and the economic value of the balance sheet if there are unexpected changes in interest rates.

The ultimate responsibility for managing the interest rate risk is in the Asset and Liability Committee (ALCO). However, the Treasury and Asset Liability and Capital Management units are responsible for identifying the most appropriate strategies for interest rate risk management and recommending them to decision makers. There are limits approved by the Board of Directors for the control of interest rate risk.

#### a. Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on repricing dates):

End of The Current Period	Up to 1 Month	1 - 3 Month	3 - 12 Month	1 - 5 Year	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash Equivalents and Central Bank Banks <sup>(1)</sup>	4.274.732	--	--	--	--	25.633.999	<b>29.908.731</b>
Financial Assets at Fair Value through Profit or Loss (Net)	2.214.272	161.617	767.370	1	--	2.759.829	<b>5.903.089</b>
Due from Money Markets	348.945	40.902	1.078.944	439.925	463.707	135.307	<b>2.507.730</b>
Financial Assets at Fair Value through Other Comprehensive Income	1.442.100	--	--	--	--	--	<b>1.442.100</b>
Loans	1.587.817	2.008.565	5.534.484	4.925.281	1.290.804	104.178	<b>15.451.129</b>
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	31.917.573	15.646.844	29.247.060	43.679.834	12.860.715	3.740.940	<b>137.092.966</b>
Other Assets <sup>(3)</sup>	501.690	--	2.984.137	1.654.417	1.378.935	--	<b>6.519.179</b>
<b>Total Assets</b>	<b>42.287.129</b>	<b>17.857.928</b>	<b>39.611.995</b>	<b>50.699.458</b>	<b>15.994.161</b>	<b>40.060.983</b>	<b>206.511.654</b>
<b>Liabilities</b>							
Bank Deposits	1.759.682	555.957	2.961	--	--	211.281	<b>2.529.881</b>
Other Deposits	59.137.616	15.374.393	8.264.187	31.668.648	1.034.726	34.460.368	<b>149.939.938</b>
Due to Money Markets	109.955	--	--	--	--	--	<b>109.955</b>
Miscellaneous Payables	--	--	--	--	--	--	<b>--</b>
Securities Issued	1.139.222	2.712.326	941.769	293.530	--	--	<b>5.086.847</b>
Funds Borrowed	2.660.455	4.043.079	4.747.194	5.845.077	737.784	--	<b>18.033.589</b>
Other Liabilities <sup>(4)</sup>	259.231	242.317	227.025	55.565	424.412	29.602.894	<b>30.811.444</b>
<b>Total Liabilities</b>	<b>65.066.161</b>	<b>22.928.072</b>	<b>14.183.136</b>	<b>37.862.820</b>	<b>2.196.922</b>	<b>64.274.543</b>	<b>206.511.654</b>
Balance Sheet Long Position	--	--	25.428.859	12.836.638	13.797.239	--	<b>52.062.736</b>
Balance Sheet Short Position	(22.779.032)	(5.070.144)	--	--	--	(24.213.560)	<b>(52.062.736)</b>
Off-balance Sheet Long Position	1.589.077	--	2.256.860	--	--	--	<b>3.845.937</b>
Off-balance Sheet Short Position	--	(453.235)	--	(2.366.424)	(449.139)	--	<b>(3.268.798)</b>
<b>Total Position</b>	<b>(21.189.955)</b>	<b>(5.523.379)</b>	<b>27.685.719</b>	<b>10.470.214</b>	<b>13.348.100</b>	<b>(24.213.560)</b>	<b>577.139</b>

(1) Includes amounting of TL (3.658) first and second stage of expected loss provisions.

(2) Includes amounting of TL (939) first and second stage of expected loss provisions.

(3) Other assets/non-interest bearings include; tangible assets, intangible assets, investment properties, investments in associates and joint ventures, tax assets, investments in subsidiaries, assets to be sold and the expected losses of other assets and other assets with balances of TL 1.536.981, TL 309.098, TL 203.835, TL 16.396, TL 1.332.909, TL 793.174, TL 354.650, (8.452) and TL 3.148.139, respectively.

(4) Other liabilities/non-interest bearings include; shareholders' equity, current tax liabilities, deferred tax liabilities, provisions, other liabilities and TFRS 16 net right of use liabilities amounting to TL 17.246.487, TL 621.274, TL 25.233, TL 1.495.390, TL 9.584.975 and TL 629.535, respectively.

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End of The Prior Period	Up to 1 Month	1 - 3 Month	3 - 12 Month	1 - 5 Year	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash Equivalents and Central Bank Banks <sup>(1)</sup>	4.233.671	--	--	--	--	23.890.538	<b>28.124.209</b>
Financial Assets at Fair Value through Profit or Loss (Net)	983.336	96.199	527.740	186.845	33.955	4.793.276	<b>6.621.351</b>
Due from Money Markets	119.853	298.373	394.415	885.344	388.474	97.336	<b>2.183.795</b>
Financial Assets at Fair Value through Other Comprehensive Income	9.780	--	--	--	--	--	<b>9.780</b>
Loans	386.432	1.164.414	3.064.311	2.450.417	847.937	978	<b>7.914.489</b>
Financial Assets Measured at Amortized Cost <sup>(2)</sup>	17.557.607	7.775.527	19.591.598	52.771.747	38.791.593	2.568.533	<b>139.056.605</b>
Other Assets <sup>(3)</sup>	2.323.225	429.124	459.381	1.371.287	1.655.675	--	<b>6.238.692</b>
<b>Total Assets</b>	<b>25.613.904</b>	<b>9.763.733</b>	<b>24.037.445</b>	<b>57.665.640</b>	<b>41.717.634</b>	<b>38.513.080</b>	<b>197.311.436</b>
<b>Liabilities</b>							
Bank Deposits	1.659.705	80.899	337.395	428.113	--	171.775	<b>2.677.887</b>
Other Deposits	52.954.581	17.912.576	17.089.241	18.115.713	1.003.194	30.188.284	<b>137.263.589</b>
Due to Money Markets	1.415.797	--	--	--	--	--	<b>1.415.797</b>
Miscellaneous Payables	--	--	--	--	--	--	<b>--</b>
Securities Issued	1.202.731	2.382.535	402.593	--	--	--	<b>3.987.859</b>
Funds Borrowed	7.650.209	12.047.615	2.418.843	459.638	60.305	--	<b>22.636.610</b>
Other Liabilities <sup>(4)</sup>	259.771	531.103	922.026	116.850	222.891	27.277.053	<b>29.329.694</b>
<b>Total Liabilities</b>	<b>65.142.794</b>	<b>32.954.728</b>	<b>21.170.098</b>	<b>19.120.314</b>	<b>1.286.390</b>	<b>57.637.112</b>	<b>197.311.436</b>
Balance Sheet Long Position	--	--	2.867.347	38.545.326	40.431.244	--	<b>81.843.917</b>
Balance Sheet Short Position	(39.528.890)	(23.190.995)	--	--	--	(19.124.032)	<b>(81.843.917)</b>
Off-balance Sheet Long Position	2.032.518	--	799.309	--	--	--	<b>2.831.827</b>
Off-balance Sheet Short Position	--	(1.217.285)	--	(1.709.835)	(457.257)	--	<b>(3.384.377)</b>
<b>Total Position</b>	<b>(37.496.372)</b>	<b>(24.408.280)</b>	<b>3.666.656</b>	<b>36.835.491</b>	<b>39.973.987</b>	<b>(19.124.032)</b>	<b>(552.550)</b>

(1) Includes amounting of TL (4.417) first and second stage of expected loss provisions.

(2) Includes amounting of TL (1.118) first and second stage of expected loss provisions.

(3) Other assets/non-interest bearings include; tangible assets, intangible assets, investment properties, investments in associates and joint ventures, deferred tax assets, investments in subsidiaries, assets to be sold, financial assets and the expected losses of other assets and other assets with balances of TL 881.784, TL 271.191, TL 202.001, TL 13.633, TL 1.213.623, TL 792.868, TL 269.830, (9.986) and TL 3.527.476, respectively.

(4) Other liabilities/non-interest bearings include; shareholders' equity, tax liabilities, deferred tax liabilities, provisions and other liabilities with balances of TL 15.505.270, TL 362.949, TL 25.828, TL 945.168 and TL 10.437.838, respectively.

**b. Average interest rates applied to monetary financial instruments**

Current Period - 30 September 2019	EURO %	USD %	Yen %	TL %
<b>Assets</b>				
Cash Equivalents and Central Bank Banks	--	1,57	--	9,50
Financial Assets at Fair Value through Profit or Loss (Net)	0,81	3,21	--	--
Due from Money Markets	2,52	8,76	--	17,19
Financial Assets at Fair Value through Other Comprehensive Income	--	--	--	16,20
Loans	1,71	4,39	--	16,06
Financial Assets Measured at Amortized Cost	4,52	6,16	5,50	22,11
	1,35	5,06	--	18,25
<b>Liabilities</b>				
Bank Deposits	0,71	3,39	--	16,01
Other Deposits	1,00	2,79	0,24	15,76
Due to Money Markets	--	--	--	17,02
Miscellaneous Payables	--	--	--	--
Securities Issued	2,25	--	--	15,10
Funds Borrowed	1,45	4,06	--	15,47
<b>Prior Period - 31 December 2018</b>	<b>EURO %</b>	<b>USD %</b>	<b>Yen %</b>	<b>TL %</b>
<b>Assets</b>				
Cash Equivalents and Central Bank Banks	--	1,90	--	13,00
Financial Assets at Fair Value through Profit or Loss (Net)	1,59	2,24	--	23,85
Due from Money Markets	3,98	6,39	--	20,14
Financial Assets at Fair Value through Other Comprehensive Income	--	--	--	--
Loans	2,89	3,96	--	14,85
Financial Assets Measured at Amortized Cost	4,59	6,57	5,46	22,04
	1,33	5,05	--	22,34
<b>Liabilities</b>				
Bank Deposits	1,31	4,35	--	23,16
Other Deposits	1,51	3,96	0,65	22,70
Due to Money Markets	--	--	--	16,72
Miscellaneous Payables	--	--	--	--
Securities Issued	2,14	--	--	26,98
Funds Borrowed	3,16	5,79	--	24,38

**IV. Position risk of equity shares on banking book**

**a. Comparison of carrying, fair and market values of equity shares**

DFS Group does not have unconsolidated associates and subsidiaries traded at BIST markets as of 30 September 2019 and 31 December 2018.

**b. Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capital**

None.

**V. Explanations related to the consolidated liquidity risk**

Liquidity risk can form as a result of significant changes which can happen in market liquidity or a general funding risk. Funding risk states the risk of not meeting cash outflows completely because of maturity mismatch between assets and liabilities while market liquidity risk states the risk of not liquidating assets because of a collision in market conditions or insufficient market depth.

**Information on liquidity risk management, including the Parent Bank's risk capacity, responsibilities and structure of liquidity risk management, liquidity risk reporting in the Parent Bank, liquidity risk strategy, policy and practices, communication with the board of directors and business lines**

Within the Parent Bank, the procedures and principles regarding liquidity risk management are determined by the "Liquidity Risk Management Policy " approved by the Board of Directors. This policy includes the basic duties and principles of liquidity risk management within the Bank including the related methods, procedures, controls and reporting framework. The "Liquidity Emergency Action Plan" was established within the Liquidity Risk Management Policy, enclosing possible precautions which can be taken against unexpected liquidity squeezes.

"Risk Appetite Statement" is reviewed annually in order to manage risks in accordance with the Parent Bank's strategy and its financial power. Risk Appetite Statement includes limits towards liquidity risks besides other risk limits. Risk appetite limits are reported to senior management monthly in scope of risk management activities. In the risk appetite declaration (RAD), limits were set based on the loan / deposit ratio and the LCR criteria for liquidity risk. Other indicators followed outside these metrics are; liquidity buffer, large consistent deposits, and core deposits.

Short-term liquidity management of the Parent Bank is under the responsibility of Treasury Group. Treasury Group weekly reports to Assets and Liabilities Committee (ALCO) related to liquidity structure. ALCO has an active role in establishing related systems and monitoring and decision making processes regarding liquidity risk management. ALCO is also responsible and authorized for monitoring current liquidity position and legal and internal liquidity indicators and taking decisions related to liquidity management taking risk appetite framework into consideration. Different departments of the Parent Bank such as the Treasury Group, Financial Institutions Group, Financial Affairs Group and Risk Management Group contribute to the liquidity management process of the Bank in accordance with the ALCO decisions and also provide the necessary support to the ALCO with the information, analysis and recommendations needed in the decision-making process.

**Information on the centralization degree of liquidity management and funding strategy and the functioning of the Parent Bank's partnerships:**

Liquidity risk management is performed as par consolidated and non-consolidated. In this context, liquidity monitoring and management in subsidiaries are performed by the related subsidiary and monitored closely by the Parent Bank. In order to meet the liquidity needs of partnerships in case of emergency, limits are allocated by the Parent Bank.

**Information on the Bank's funding strategy, including policies on the diversity of fund resources and durations**

Management of risk sourcing from funding presents the fundamental of liquidity management activities of the Bank. Main funding source of the Bank is deposits since it is a more stable funding source compared to other sources and it provides a diversified source of funding. Additionally, security issuance and borrowing activities are performed in order to extend the maturity of funding.

On the other hand, the securities portfolio of the Parent Bank carried in order to liquidity risk management that maintain in CBRT and BIST is structured in a way to consist of sovereign securities issued by Treasury of Turkey in order to reduce liquidity risk sourcing from market to minimum level. Criteria and principles related to security investments which shall be received to this portfolio are committed on paper and approved by the related committee.

**Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Parent Bank's total liabilities**

A large majority of Bank's liabilities consist of TL, US Dollar, Euro and gold. The main foreign currency funding source of the Parent Bank is deposit and borrowings provided from credit agencies. Foreign currency liquidity risk is at a low level since the foreign currency sources of the Parent Bank are at a higher level and have longer maturity than assets. For this reason, Turkish Lira is created by swap transactions using the current foreign currency liquidity. In other words, foreign currency liabilities are used in the funding of Turkish Lira assets.

**Information on liquidity risk mitigation techniques used**

Reducing the liquidity risk continues to prepare and follow up liquidity buffer where possible fund outflows exist. Securities required to manage short-term risks are kept within the balance sheet together. On the other hand, in order to reduce structural liquidity risk, diversified funding sources are aimed to be diversified and the maturity structure will be expanded. Another important element is the strategy of spread to deposit base.

**Explanations related to using the stress test**

Scenario analyses, including specific conditions having significance with respect to liquidity which have been experienced or which shall possibly be experienced, are performed in order to measure liquidity level under stress conditions. A liquidity level at a sufficient amount to meet all liabilities even under stress conditions is aimed in scope of this scenario analyses through evaluating measures which can be taken. Assumptions related to liquidity stress tests are reviewed annually at minimum. Periodical stress tests are performed within the determined scenarios and liquidity situation is monitored and the duration of the Bank can survive is calculated and the results are compared with the determined limits and presented to the related committees.

**General information on the liquidity emergency and contingency plan**

In order to be prepared for the liquidity crises that can be experienced and to make the management in a healthy and planned manner, "Liquidity Unexpected Situation Plan Regulation" has been set up to prepare appropriate processes and guide these processes. In this document, early warning indicators, action plans, duties and responsibilities of the units within the Bank are used to determine the unexpected liquidity situation.

In addition, in order to ensure that the Parent Bank maintains its liquidity in all circumstances and meets its liquidity obligations, an emergency liquidity limit to be used by the shareholder to be used within the framework of emergency liquidity management is defined. The mentioned limit is reviewed every year in the budget period and approved by the prevailing partner in the Board of Directors.

**a. Liquidity coverage ratio**

Liquidity coverage rates calculated in accordance with the Regulation on Calculation of Bank's Liquidity Coverage rate published in Official Gazette dated 21 March 2014 and numbered 28948 are as follows. Consolidated foreign currency rate calculated for the last three months is at the lowest level in 280,35 in September and at the highest level in July 629,71 while the liquidity coverage rate is at the lowest level in September 167,06 and at the highest level in July 186,71.

Calculation table of liquidity coverage rate is reported to BRSA monthly and monitored daily in the Bank.

High quality liquid assets consist of cash assets, reserves kept in Central Bank of Republic of Turkey and unrestricted marketable securities. Cash outflows consist of deposits, bank borrowings, non-cash loans, derivatives and other liabilities without a certain maturity. Additionally, several bank borrowings are shown as cash outflow regardless of their maturity since they include contingent early payment condition. In addition, additional collateral liability that may arise from the possible changes in the fair value of derivative transactions within the cash outflows are included. Cash inflows consist of credits having maturity less than 30 days and a certain payment due date and receivables from banks and derivative products.

LCR is considered as an important liquidity management criterion for our Bank. The Bank managed to manage the LCR management in terms of the minimum limits that would reach 80% for the foreign currency in 2019 and 100% for the total by searching by the Regulation in terms of 10% each year. In the Risk Appetite Declaration, internal limits are set above the legal minimum limits for the LCR and the related ratio is reported and monitored at the level of ALCO, senior management and the Board of Directors.



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Current Period	Total unweighted value (*)		Total weighted value (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 Total High Quality Liquid Assets			47.178.183	35.624.669
<b>CASH OUTFLOWS</b>				
2 Retail deposits and deposits from small business customers, of which	112.652.121	74.569.129	10.648.281	7.456.913
3 Stable deposits	12.338.609	--	616.930	--
4 Less stable deposits	100.313.512	74.569.129	10.031.351	7.456.913
5 Unsecured wholesale funding, of which	32.833.691	20.002.317	18.603.691	9.579.151
6 Operational deposits	4.743.536	2.888.150	1.185.884	722.038
7 Non-operational deposits	19.924.906	14.539.179	9.254.175	6.283.445
8 Unsecured debt	8.165.249	2.574.988	8.163.632	2.573.668
9 Secured wholesale funding			74.776	71.994
10 Other cash outflows	2.015.157	2.986.617	1.199.179	2.188.528
11 Outflows related to derivative exposures and other collateral requirements	655.194	1.656.468	655.194	1.656.468
12 Outflows related to loss of funding on debt products	--	--	--	--
13 Credit and liquidity facilities	1.359.963	1.330.149	543.985	532.060
14 Other contractual funding obligations	338.122	337.562	337.590	337.562
15 Other contingent funding obligations	72.851.705	22.654.372	5.452.173	2.209.972
<b>16 TOTAL CASH OUTFLOWS</b>			<b>36.315.690</b>	<b>21.844.120</b>
<b>CASH INFLOWS</b>				
17 Secured lending	411.759	--	--	--
18 Unsecured lending	12.041.477	7.788.928	8.967.529	6.529.345
19 Other cash inflows	210.416	6.421.780	210.416	6.421.780
<b>20 TOTAL CASH INFLOWS</b>	<b>12.663.652</b>	<b>14.210.708</b>	<b>9.177.945</b>	<b>12.951.125</b>
			Total Adjusted Value	
<b>21 TOTAL HQLA</b>			<b>47.178.183</b>	<b>35.624.669</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>27.137.745</b>	<b>8.892.995</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>175,8</b>	<b>451,9</b>

(\*) Simple arithmetic average of last three months by taking the simple arithmetic average monthly.

Prior Period	Total unweighted value (*)		Total weighted value (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 Total High Quality Liquid Assets			35.257.953	25.374.179
<b>CASH OUTFLOWS</b>				
2 Retail deposits and deposits from small business customers, of which	107.685.131	68.141.659	10.198.065	6.814.166
3 Stable deposits	11.408.948	--	570.447	--
4 Less stable deposits	96.276.183	68.141.659	9.627.618	6.814.166
5 Unsecured wholesale funding, of which	27.723.684	16.292.370	15.464.540	8.027.212
6 Operational deposits	5.274.702	3.486.291	1.318.676	871.573
7 Non-operational deposits	15.235.213	10.060.646	6.939.247	4.416.212
8 Unsecured debt	7.213.769	2.745.433	7.206.617	2.739.427
9 Secured wholesale funding			587.624	--
10 Other cash outflows	3.789.886	4.479.668	2.437.655	3.464.444
11 Outflows related to derivative exposures and other collateral requirements	1.536.168	2.787.628	1.536.168	2.787.628
12 Outflows related to loss of funding on debt products	--	--	--	--
13 Credit and liquidity facilities	2.253.718	1.692.040	901.487	676.816
14 Other contractual funding obligations	1.033.153	1.032.593	1.032.621	1.032.593
15 Other contingent funding obligations	73.717.589	24.714.358	5.656.597	2.392.594
<b>16 TOTAL CASH OUTFLOWS</b>			<b>35.377.102</b>	<b>21.731.009</b>
<b>CASH INFLOWS</b>				
17 Secured lending	4.088	--	--	--
18 Unsecured lending	13.895.332	9.802.605	10.927.647	8.685.132
19 Other cash inflows	288.559	5.409.314	288.559	5.409.314
<b>20 TOTAL CASH INFLOWS</b>	<b>14.187.979</b>	<b>15.211.919</b>	<b>11.216.206</b>	<b>14.094.446</b>
			Total adjusted value	
<b>21 TOTAL HQLA</b>			<b>35.257.953</b>	<b>25.374.179</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>24.160.896</b>	<b>7.636.563</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>146,1</b>	<b>339,5</b>

(\*) Simple arithmetic average of last three months by taking the simple arithmetic average monthly.

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**b. Presentation of assets and liabilities according to their residual maturities**

End of The Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
<b>Assets</b>								
Cash Equivalents and Central Bank Deposits	21.836.126	8.072.605	--	--	--	--	--	29.908.731
Financial Assets at Fair Value through Profit or Loss (Net)	2.759.829	1.600.944	76.663	805.568	624.674	35.411	--	5.903.089
Due from Money Markets	135.307	348.899	40.841	1.073.640	440.114	468.929	--	2.507.730
Financial Assets at Fair Value through Other Comprehensive Income	--	1.442.100	--	--	--	--	--	1.442.100
Loans	103.968	146.968	373.192	2.416.224	7.361.861	5.048.706	210	15.451.129
Financial Assets Measured at Amortized Cost (2)	--	17.770.440	7.322.957	20.445.130	52.937.170	34.876.329	3.740.940	137.092.966
Other Assets	3.148.532	244.047	--	1.600.728	3.295.469	1.378.935	--	6.519.179
<b>Total Assets</b>	<b>27.983.762</b>	<b>29.626.003</b>	<b>7.813.653</b>	<b>26.341.290</b>	<b>65.155.762</b>	<b>41.808.310</b>	<b>7.782.874</b>	<b>206.511.654</b>
<b>Liabilities</b>								
Bank Deposits	211.281	1.759.686	556.057	2.857	--	--	--	2.529.881
Other Deposits	34.460.368	59.064.746	15.414.571	8.272.673	31.692.307	1.035.273	--	149.939.938
Fund Borrowed	--	1.855.723	3.478.290	3.816.354	7.711.011	1.172.211	--	18.033.589
Due to Money Markets	--	109.955	--	--	--	--	--	109.955
Securities Issued	--	1.139.222	2.712.326	941.769	293.530	--	--	5.086.847
Miscellaneous Payables	--	--	--	--	--	--	--	--
Other Liabilities	5.593.736	981.287	1.222.416	2.452.224	862.252	424.412	19.275.117	30.811.444
<b>Total Liabilities</b>	<b>40.265.385</b>	<b>64.910.619</b>	<b>23.383.660</b>	<b>15.485.877</b>	<b>40.559.100</b>	<b>2.631.896</b>	<b>19.275.117</b>	<b>206.511.654</b>
<b>Net Liquidity Excess/ (Gap)</b>	<b>(12.281.623)</b>	<b>(35.284.616)</b>	<b>(15.570.007)</b>	<b>10.855.413</b>	<b>24.596.662</b>	<b>39.176.414</b>	<b>(11.492.243)</b>	<b>--</b>
<b>Net Off-balance sheet Position</b>	<b>--</b>	<b>31.413</b>	<b>(227.929)</b>	<b>267.749</b>	<b>356.833</b>	<b>--</b>	<b>--</b>	<b>428.066</b>
Financial Derivative Assets	--	23.961.467	8.559.289	15.065.915	3.099.607	8.677.290	--	59.363.568
Financial Derivative Liabilities	--	(23.930.054)	(8.787.218)	(14.798.166)	(2.742.774)	(8.677.290)	--	(58.935.502)
Non Cash Loans	--	2.615.901	2.997.135	9.092.157	--	17.852.430	--	32.557.623
<b>End of The Prior Period</b>								
Total Assets	28.920.999	23.511.766	5.843.887	27.189.108	63.463.416	41.972.634	6.409.626	197.311.436
Total Liabilities	35.677.748	59.936.339	28.051.468	27.682.275	24.823.397	4.412.931	16.727.278	197.311.436
<b>Net Liquidity Excess/ (Gap)</b>	<b>(6.756.749)</b>	<b>(36.424.573)</b>	<b>(22.207.581)</b>	<b>(493.167)</b>	<b>38.640.019</b>	<b>37.559.703</b>	<b>(10.317.652)</b>	<b>--</b>
<b>Net Off-balance sheet Position</b>	<b>--</b>	<b>(186.998)</b>	<b>(234.751)</b>	<b>(582.544)</b>	<b>503.145</b>	<b>--</b>	<b>--</b>	<b>(501.148)</b>
Financial Derivative Assets	--	25.156.430	12.314.445	10.634.366	5.923.855	8.745.143	--	62.774.239
Financial Derivative Liabilities	--	(25.343.428)	(12.549.196)	(11.216.910)	(5.420.710)	(8.745.143)	--	(63.275.387)
Non Cash Loans	--	2.939.168	2.945.626	10.076.704	4.606.259	13.110.297	--	33.678.054

(1) Includes amounting of TL (3.658) first and second stage of expected loss provisions.

(2) Includes amounting of TL (939) first and second stage of expected loss provisions.

(\*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short run such as tangible assets, investments in associates, joint ventures and subsidiaries, stationary supplies, non- performing loans (net) and prepaid expenses are included in this column.

**VI. Explanations related to leverage ratio**

**Information on matters causing difference between leverage ratios of current period and previous period:**

Leverage ratio which is calculate quarterly average amounts of DFS Group is 5,98% as of 30 September 2019 (31 December 2018: 5,59%). This ratio is over minimum ratio. Difference between leverage ratios of current and previous period mainly sources from increase in risk amounts regarding assets on balance sheet.

**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 (*)	209.175.062	196.991.243
2 Differences 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 Communiqué on Preparation of Consolidated Financial Statements of the Banks	(2.802.055)	(2.918.813)
3 Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	797.272	1.275.094
4 Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	--	--
5 Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(503)	(503)
6 Other differences in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	77.407.872	77.105.726
<b>7 Total Risk</b>	<b>284.577.648</b>	<b>272.452.747</b>

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

(\*\*) Quarterly average amounts.

**Leverage ratio common disclosure template:**

	Current Period (*)	Prior Period (*)
<b>On-balance sheet exposures</b>		
1 On-balance sheet items (exclude derivatives and SFTs; include collateral)	206.373.007	194.072.430
2 (Assets deducted in determining Basel III Tier I capital)	(381.124)	(542.344)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of 1 and 2 lines)	205.991.883	193.530.086
<b>Derivative exposures</b>		
4 Replacement cost	1.978.290	2.256.385
5 Add-on amount	797.272	1.275.094
6 Total derivative exposures (sum of 4 and 5 lines)	2.775.562	3.531.479
<b>Securities financing transaction exposures</b>		
7 Gross SFT assets (with no recognition of accounting netting)	56.102	384.514
8 Agent transaction exposures	-	-
9 Total securities financing transaction exposures (sum of 7 and 8 lines)	56.102	384.514
<b>Other off-balance sheet exposures</b>		
10 Off-balance sheet exposures with gross nominal amount	75.754.604	75.007.171
11 (Adjustment amount off-balance sheet exposures with credit conversion factor)	(503)	(503)
12 Total off-balance sheet exposures (sum of 10 and 11 lines)	75.754.101	75.006.668
<b>Capital and total exposures</b>		
13 Tier I capital	17.000.222	15.211.405
14 Total exposures (sum of 3,6,9 and 12 lines)	284.577.648	272.452.747
<b>Leverage ratio</b>		
15 Leverage ratio	5,98	5,59

(\*) Quarterly average amounts.

**VII. Explanations Related on Risk Management**

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. As the Standard Approach is used in calculating the Parent Bank's capital adequacy, the tables to be prepared under the Internal Rating Based Approach (IRB) have not been presented yet as of 30 September 2019.

The risk management disclosures were prepared as to comply with the internal control process that is approved by the Board of Directors.

**a. Risk management and overview of risk weighted assets**

**Overview of risk weighted amount**

	Risk Weighted Amount		Minimum Capital Requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	142.749.078	137.470.531	11.419.926
2 Standardized approach (SA)	142.749.078	137.470.531	11.419.926
3 Internal rating-based (IRB) approach	--	--	--
4 Counterparty credit risk	2.351.006	2.476.534	188.080
5 Standardized approach for counterparty credit risk (SA-CCR)	2.351.006	2.476.534	188.080
6 Internal model method (IMM)	--	--	--
7 Basic risk weight approach to internal models equity position in the banking account	--	--	--
8 Investments made in collective investment companies - look-through approach	--	--	--
9 Investments made in collective investment companies - mandate-based approach	3.889	1.900	311
10 Investments made in collective investment companies - %1250 weighted risk approach	--	--	--
11 Settlement risk	--	--	--
12 Securitization positions in banking accounts	--	--	--
13 IRB ratings-based approach (RBA)	--	--	--
14 IRB Supervisory Formula Approach (SFA)	--	--	--
15 SA/simplified supervisory formula approach (SSFA)	--	--	--
16 Market risk	748.338	1.137.450	59.867
17 Standardized approach (SA)	748.338	1.137.450	59.867
18 Internal model approaches (IMM)	--	--	--
19 Operational Risk	14.127.749	11.282.016	1.130.220
20 Basic Indicator Approach	14.127.749	11.282.016	1.130.220
21 Standard Approach	--	--	--
22 Advanced measurement approach	--	--	--
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	--	--	--
24 Floor adjustment	--	--	--
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>159.980.060</b>	<b>152.368.431</b>	<b>12.798.404</b>

## **VIII. Explanations related to hedging transactions**

### **a. Net Investment Risk**

DFS Group applies net investment hedge strategy to hedge against the currency risk arising on a consolidated basis from the net investments amounting to a total of Euro 1.537 million and US Dollar 7 million of subsidiaries Denizbank AG and Eurodeniz. The part consisting of the same amounts of its foreign currency deposit has been defined as “hedging instrument”. The effective part of the change in value of the foreign currency deposit arising from exchange rate has been recognized as “hedging funds” under equity.

On the other hand, as of 1 April 2014, the Parent Bank stopped applying net investment hedge accounting due to its net investment to hedge against the currency risk on the subsidiary of JSC Denizbank, and the total hedging fund which is booked under equity for that subsidiary is amounting to TL (57.744).

Total net investment hedging funds recognized under equity is amounting to TL (3.444.222) as of 30 September 2019 (31 December 2018: TL (3.292.504)).

### **b. Cash Flow Hedge**

Within the scope of foreign exchange risk management, Deniz Leasing started to apply cash flow hedge accounting as of April 1, 2018 by matching the future Euro lease receivables and the estimated future sales of used cars, whose fair values are followed by Euro, in accordance with the agreements.

In the accounting for hedge of cash flow that Deniz Leasing has started to implement; the Company has identified forward-looking future rental sales of Euro-denominated operating lease receivables and their fair values in EUR, and the credit in Euro terms has been taken as a hedging tool.

Profit/ (loss) after tax TL (21.581) which is accounted under shareholders' equity as cash flow hedge accounting as of September 30, 2019 (31 December 2018: TL (29.409)).

## **IX. Explanations related to the consolidated segment reporting**

DFS Group is active in four areas; namely, wholesale banking, SME and agricultural banking, retail banking, and treasury.

Wholesale banking offers financial and banking solutions to large-scale local and international corporate and commercial customers. In order to meet customer needs related to projects, investment and working capital, corporate banking offers short and long-term working capital loans, investment loans, financial and operational leasing and factoring services, non-cash loans, foreign exchange transactions, export finance, project finance, structured finance, corporate finance, and deposit products and cash management services.

The Bank offers loan products (consumer loans, mortgage, vehicle, agricultural and investment loans), distinctive credit cards, producer card, investment products (mutual funds, shares, government bonds/treasury bills, and repos), deposit products (time, demand, protected), insurance products, SME loans, agricultural loans, financial and operational leasing and factoring services to the customers classified under retail, SME and agricultural segments. Alternative distribution channels allow customers to meet their banking needs without the need to physically visit the branches. Among products that meet every day needs of customers are overdraft loans, automated bill payment, checkbooks and rental safes.

Within treasury; sales, prop-trading and private banking departments offer spot and forward TL and foreign exchange transactions, trading of treasury bills, bonds and other local and international securities and derivative products. Providing medium and long-term financing, diversification of funding and maintenance an international investor base are also the activities defined in this segment.

Segment information is prepared in line with the Parent Bank's Management Information Systems and the prior period figures are also revised accordingly.

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Segment information of the Group is presented in the following table:

<b>Current Period (01/01/2019-30/09/2019)</b>	<b>Wholesale Banking</b>	<b>SME &amp; Agricultural Banking</b>	<b>Retail Banking</b>	<b>Treasury &amp; Other</b>	<b>Total</b>
Net interest income	1.550.677	1.262.359	1.206.178	1.835.513	<b>5.854.727</b>
Net fees and commission income	350.274	1.223.766	1.104.231	(225.403)	<b>2.452.868</b>
Other income/loss, net	339.049	190.472	34.284	(673.553)	<b>(109.748)</b>
<b>Total segment income</b>	<b>2.240.000</b>	<b>2.676.597</b>	<b>2.344.693</b>	<b>936.557</b>	<b>8.197.847</b>
Other operational expenses (*)	(580.081)	(1.035.483)	(1.373.140)	(109.917)	<b>(3.098.621)</b>
Expected credit losses and other provisions	(2.294.570)	(1.076.854)	(403.390)	(57.689)	<b>(3.832.503)</b>
Taxation					<b>(260.508)</b>
<b>Net profit from continuing operations</b>	<b>(634.651)</b>	<b>564.260</b>	<b>568.163</b>	<b>768.951</b>	<b>1.006.215</b>
Net profit from discontinued operations					<b>-</b>
<b>Net profit for the period</b>	<b>(634.651)</b>	<b>564.260</b>	<b>568.163</b>	<b>768.951</b>	<b>1.006.215</b>
<b>Current Period (30/09/2019)</b>					
Segment assets	76.470.588	40.366.528	20.254.911	61.732.897	<b>198.824.924</b>
Subsidiaries and associates					<b>809.570</b>
Undistributed assets					<b>6.877.160</b>
<b>Total assets</b>					<b>206.511.654</b>
Segment liabilities	35.108.780	24.369.683	91.499.740	28.040.381	<b>179.018.584</b>
Undistributed liabilities					<b>10.246.583</b>
Equity					<b>17.246.487</b>
<b>Total liabilities and shareholders' equity</b>					<b>206.511.654</b>

(\*) It also includes personnel expenses.

<b>Prior Period (01/01/2018-30/09/2018)</b>	<b>Wholesale Banking</b>	<b>SME &amp; Agricultural Banking</b>	<b>Retail Banking</b>	<b>Treasury &amp; Other</b>	<b>Total</b>
Net interest income	1.424.073	1.458.317	1.079.183	1.168.638	<b>5.130.211</b>
Net fees and commission income	176.713	693.345	678.978	(28.657)	<b>1.520.379</b>
Other income/loss, net	355.065	269.452	178.521	(522.737)	<b>280.301</b>
<b>Total segment income</b>	<b>1.955.851</b>	<b>2.421.114</b>	<b>1.936.682</b>	<b>617.244</b>	<b>6.930.891</b>
Other operational expenses (*)	(491.917)	(962.401)	(1.156.584)	(85.266)	<b>(2.696.168)</b>
Expected credit losses and other provisions	(1.281.129)	(498.631)	(280.965)	(141.442)	<b>(2.202.167)</b>
Taxation					<b>(324.266)</b>
<b>Net profit from continuing operations</b>	<b>182.805</b>	<b>960.082</b>	<b>499.133</b>	<b>390.536</b>	<b>1.708.290</b>
Net profit from discontinued operations					<b>-</b>
<b>Net profit for the period</b>	<b>182.805</b>	<b>960.082</b>	<b>499.133</b>	<b>390.536</b>	<b>1.708.290</b>
<b>Prior Period (31/12/2018)</b>					
Segment assets	79.365.495	39.664.022	20.027.087	51.092.317	<b>190.148.921</b>
Subsidiaries and associates					<b>806.501</b>
Undistributed assets					<b>6.356.014</b>
<b>Total assets</b>					<b>197.311.436</b>
Segment liabilities	30.017.496	21.073.032	86.722.662	33.163.583	<b>170.976.773</b>
Undistributed liabilities					<b>10.829.393</b>
Equity					<b>15.505.270</b>
<b>Total liabilities and shareholders' equity</b>					<b>197.311.436</b>

(\*) It also includes personnel expenses.

## **SECTION FIVE**

### **DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS**

#### **I. Explanations and disclosures related to consolidated assets**

##### **a. Information on cash and cash equivalents**

##### **1. 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	684.327	895.068	629.541	698.311
Central Bank of the Republic of Turkey	939.682	12.472.476	1.744.616	10.962.810
Other (*)	--	14.917.178	--	14.088.931
<b>Total</b>	<b>1.624.009</b>	<b>28.284.722</b>	<b>2.374.157</b>	<b>25.750.052</b>

(\*) This includes the balances of foreign subsidiaries in foreign central banks subject to consolidation.

##### **2. Information on balances with the Central Bank of the Republic of Turkey**

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	895.224	4.497.253	1.683.477	3.764.264
Unrestricted Time Deposits	--	--	--	--
Restricted Time Deposits	44.458	7.975.223	61.139	7.198.546
<b>Total</b>	<b>939.682</b>	<b>12.472.476</b>	<b>1.744.616</b>	<b>10.962.810</b>

##### **3. Information on reserve requirements**

As per the Communiqué no. 2013/15 "Reserve Deposits" of the Central Bank of the Republic of Turkey ("CBRT"), banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué.

As of 30 September 2019, all banks operating in Turkey should provide a reserve in a range of 1% to 7% (31 December 2018: between 1,5% and 8%) depending on the terms of the deposits for their liabilities in Turkish Lira and in a range of 5% to 21% (31 December 2018: between 4% and 20%) in US Dollars or standard gold for their liabilities in foreign currencies.

CBRT began paying interest for the reserve deposits maintained in Turkish Lira as from November 2014 and for the reserve deposits maintained in US Dollar as from May 2015. The interest income of TL 145.054 derived from the reserve deposits maintained by the Parent Bank at CBRT (1 January - 30 September 2018: TL 133.336) has been recorded under the account "interests derived from reserve requirements".

##### **4. Information on Banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	2.395	199.481	256.662	406.282
Foreign	3.759	5.701.112	1.500	5.961.324
Foreign head offices and branches	--	--	--	--
<b>Total</b>	<b>6.154</b>	<b>5.900.593</b>	<b>258.162</b>	<b>6.367.606</b>

##### **b. Information on financial assets at fair value through profit or loss**

##### **1. Information on financial assets at fair value through profit or loss given as collateral or blocked**

<i>given as collateral or blocked</i> <i>financial assets at fair value through profit or loss</i>	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	--	--	--	--
Bonds, Treasury Bills and Similar Marketable Securities	13.936	--	8.883	--
Other	--	--	--	--
<b>Total</b>	<b>13.936</b>	<b>--</b>	<b>8.883</b>	<b>--</b>

**2. Financial assets at fair value through profit or loss subject to repurchase agreements**

None.

**3. Other Financial Assets**

Within the context of the existing loan agreements, all creditors including the Parent Bank have reached an agreement on restructuring the loans granted to a company operating in telecommunication sector and shares owned by the company, representing 55% of its issued share capital corresponding to shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors on 21 December 2018. As a result of the transfer of this liability, the risk balance amounting to TL 237.211 has been left out of the balance sheet and the restructured amount has been started to be followed as "financial asset at fair value through profit or loss" in accordance with TFRS 9. The capital of the special purpose company was increased in the general assembly on 23 September 2019 and the amount of TL 103.192 of the Parent Bank's credit receivable was converted into capital and started to be accounted under "financial assets at fair value through profit and loss". Following this transaction, the Bank's credit receivable carried by the fair value under other financial assets amounts to TL 327.596 (31 December 2018: TL 323.627).

**4. Positive value of trading purpose derivatives**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	41.227	21.829	48.376	107.499
Swap Transactions	1.105.740	722.302	1.229.876	325.928
Futures Transactions	--	--	--	--
Options	1.247	80.254	1.028	281.604
Other	--	--	--	--
<b>Total</b>	<b>1.148.214</b>	<b>824.385</b>	<b>1.279.280</b>	<b>715.031</b>

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

**1. Major types of financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income consist of share certificates, debt securities representing government bonds, Eurobonds and foreign currency government bonds issued by the Turkish Treasury and foreign private sector debt securities.

**2. Financial assets at fair value through other comprehensive income given as collateral and book value**

Financial assets at fair value through other comprehensive income which were collateralized consist of securities offered to various financial institutions, primarily the Central Bank of the Republic of Turkey and İstanbul Takas ve Saklama Bankası A.Ş. (Settlement and Custody Bank) for interbank money market, foreign exchange market and other transactions. Such financial assets include government bonds and Eurobonds, and their total book value amounts to TL 2.453.268 (31 December 2018: TL 238.181).

**3. Financial assets at fair value through other comprehensive income given as collateral or blocked**

<i>given as collateral or blocked financial assets at fair value through other comprehensive income</i>	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	--	--	--	--
T-bills, Bonds and Similar Securities	240.679	2.212.589	111.118	127.063
Other	--	--	--	--
<b>Total</b>	<b>240.679</b>	<b>2.212.589</b>	<b>111.118</b>	<b>127.063</b>

**4. Financial assets at fair value through other comprehensive income subject to repurchase agreements**

<i>subject to repurchase agreements</i> <i>financial assets at fair value through other comprehensive income</i>	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	78.282	--	329.144	--
Treasury Bills	--	--	--	--
Other Debt Securities	--	--	--	--
Bonds Issued or Guaranteed by Banks	--	--	--	--
Asset Backed Securities	--	--	--	--
Other	--	--	--	--
<b>Total</b>	<b>78.282</b>	<b>--</b>	<b>329.144</b>	<b>--</b>

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

<i>Financial assets at fair value through other comprehensive income</i>	Current Period	Prior Period
<b>Debt instruments</b>	<b>15.346.951</b>	<b>7.913.511</b>
Quoted on Stock Exchange	15.346.951	7.913.511
Unquoted on Stock Exchange	--	--
<b>Share certificates</b>	<b>104.178</b>	<b>978</b>
Quoted on Stock Exchange	--	--
Unquoted on Stock Exchange (*)	104.178	978
<b>Impairment provision (-)</b>	<b>--</b>	<b>--</b>
<b>Total</b>	<b>15.451.129</b>	<b>7.914.489</b>

(\*) Details are explained in Notes I.b.3 of Section Five.

**d. Information related to loans**

**1. Information on all types of loans and advances given to shareholders and employees of the Bank**

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	<b>--</b>	<b>729</b>	<b>--</b>	<b>--</b>
Corporate Shareholders	--	729	--	--
Individual Shareholders	--	--	--	--
<b>Indirect Loans Granted to Shareholders</b>	<b>--</b>	<b>2.335</b>	<b>--</b>	<b>1.292</b>
<b>Loans Granted to Employees</b>	<b>68.045</b>	<b>186</b>	<b>59.454</b>	<b>166</b>
<b>Total</b>	<b>68.045</b>	<b>3.250</b>	<b>59.454</b>	<b>1.458</b>

**2. Information on loans classified in groups I and II, other receivables and loans that have been restructured or rescheduled**

Cash loans (*) (**)	Standard Loans	Loans Under Close Monitoring		
		Not included in restructured loans	Restructured Loans	
			Changes in conditions of contract	Refinancing
<b>Non-specialized loans</b>	<b>100.076.335</b>	<b>13.908.882</b>	<b>4.152.605</b>	<b>4.219.112</b>
Corporate loans	39.433.236	2.154.762	1.646.511	1.384.144
Export loans	1.811.031	663.463	1.041	59.503
Import loans	--	--	--	--
Commercial loans	3.946.597	30	195.658	--
Consumer loans	13.314.871	1.528.009	598	582.632
Credit cards	7.548.083	949.502	239	312.290
Others	34.022.517	8.613.116	2.308.558	1.880.543
<b>Specialized loans</b>	<b>8.771.237</b>	<b>3.159.021</b>	<b>2.375</b>	<b>1.727.529</b>
<b>Other receivables</b>	<b>1.608.601</b>	<b>290.652</b>	<b>--</b>	<b>--</b>
<b>Total</b>	<b>110.456.173</b>	<b>17.358.555</b>	<b>4.154.980</b>	<b>5.946.641</b>

(\*) It includes loans measured at amortized cost.

(\*\*) The balances of loans at fair value through profit or loss are not included. It includes Lease Receivables and Factoring Receivables balances.

Stage 1 and Stage 2 Expected Loss Provisions	Current Period		Prior Period	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12-Month expected credit losses	864.800	--	1.107.349	--
Significant increase in credit risk	--	3.699.523	--	1.856.903
<b>Total</b>	<b>864.800</b>	<b>3.699.523</b>	<b>1.107.349</b>	<b>1.856.903</b>



**3. Information on consumer loans, individual credit cards and personnel credit cards**

	Short Term	Medium or Long Term	Total
<b>Consumer Loans-TL</b>	<b>688.928</b>	<b>13.421.244</b>	<b>14.110.172</b>
Real estate Loans	1.130	2.741.963	2.743.093
Vehicle Loans	563	59.527	60.090
General Purpose Loans	687.235	10.617.534	11.304.769
Other	--	2.220	2.220
<b>Consumer Loans-Indexed to FC</b>	<b>--</b>	<b>12.578</b>	<b>12.578</b>
Real estate Loans	--	12.149	12.149
Vehicle Loans	--	--	--
General Purpose Loans	--	429	429
Other	--	--	--
<b>Consumer Loans-FC</b>	<b>--</b>	<b>49.785</b>	<b>49.785</b>
Real estate Loans	--	1.226	1.226
Vehicle Loans	--	--	--
General Purpose Loans	--	180	180
Other	--	48.379	48.379
<b>Individual Credit Cards-TL</b>	<b>6.543.956</b>	<b>695.283</b>	<b>7.239.239</b>
Installment	3.149.111	695.283	3.844.394
Non installment	3.394.845	--	3.394.845
<b>Individual Credit Cards-FC</b>	<b>1.815</b>	<b>--</b>	<b>1.815</b>
Installment	--	--	--
Non installment	1.815	--	1.815
<b>Loans Given to Employees-TL</b>	<b>5.151</b>	<b>29.145</b>	<b>34.296</b>
Real estate Loans	--	908	908
Vehicle Loans	--	10	10
General Purpose Loans	5.151	28.227	33.378
Other	--	--	--
<b>Loans Given to Employees - Indexed to FC</b>	<b>--</b>	<b>--</b>	<b>--</b>
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
<b>Loans Given to Employees - FC</b>	<b>59</b>	<b>636</b>	<b>695</b>
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	59	636	695
<b>Personnel Credit Cards - TL</b>	<b>30.732</b>	<b>163</b>	<b>30.895</b>
Installment	14.453	163	14.616
Non installment	16.279	--	16.279
<b>Personnel Credit Cards - FC</b>	<b>44</b>	<b>--</b>	<b>44</b>
Installment	--	--	--
Non installment	44	--	44
<b>Overdraft Loans-TL (Real Persons) (*)</b>	<b>1.217.619</b>	<b>--</b>	<b>1.217.619</b>
<b>Overdraft Loans-FC (Real Persons)</b>	<b>965</b>	<b>--</b>	<b>965</b>
<b>Total</b>	<b>8.489.269</b>	<b>14.208.834</b>	<b>22.698.103</b>

(\*) Overdrafts used by the personnel of the Parent Bank are TL 2.115 (31 December 2018: TL 2.017).

**4. Information on installment commercial loans and corporate credit cards**

	Short Term	Medium or Long Term	Total
<b>Installment Commercial Loans - TL</b>	<b>444.512</b>	<b>11.483.876</b>	<b>11.928.388</b>
Real estate Loans	--	99.465	99.465
Vehicle Loans	6.449	118.435	124.884
General Purpose Loans	438.063	11.265.976	11.704.039
Other	--	--	--
<b>Installment Commercial Loans - Indexed to FC</b>	<b>--</b>	<b>917.053</b>	<b>917.053</b>
Real estate Loans	--	5.581	5.581
Vehicle Loans	--	13.261	13.261
General Purpose Loans	--	898.211	898.211
Other	--	--	--
<b>Installment Commercial Loans - FC</b>	<b>377.123</b>	<b>2.595.663</b>	<b>2.972.786</b>
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	377.123	2.595.663	2.972.786
Other	--	--	--
<b>Corporate Credit Cards - TL</b>	<b>1.499.491</b>	<b>38.537</b>	<b>1.538.028</b>
Installment	429.863	38.537	468.400
Non installment	1.069.628	--	1.069.628
<b>Corporate Credit Cards - FC</b>	<b>93</b>	<b>--</b>	<b>93</b>
Installment	--	--	--
Non installment	93	--	93
<b>Overdraft Loans-TL (Legal Entities)</b>	<b>1.614.941</b>	<b>--</b>	<b>1.614.941</b>
<b>Overdraft Loans-FC (Legal Entities)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total</b>	<b>3.936.160</b>	<b>15.035.129</b>	<b>18.971.289</b>

**5. Domestic and foreign loans**

	Current Period	Prior Period
Domestic Loans	110.762.881	114.747.583
Foreign Loans	27.153.468	24.704.741
<b>Total</b>	<b>137.916.349</b>	<b>139.452.324</b>

**6. Loans granted to subsidiaries and associates**

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	--	13.334
Indirect loans granted to subsidiaries and associates	--	--
<b>Total</b>	<b>--</b>	<b>13.334</b>

**7. Specific provision for loans or provisions for stage 3 loans**

	Current Period	Prior Period
<b>Provisions for stage 3 loans</b>		
Loans with Limited Collectability	595.317	696.699
Loans with Doubtful Collectability	1.423.455	1.243.369
Uncollectible Loans	3.760.211	2.141.043
<b>Total</b>	<b>5.778.983</b>	<b>4.081.111</b>

**8. Information on non-performing loans (Net)**

(i) Information on non-performing loans and restructured loans by DFS group

	Group III Loans with Limited Collectability	Group IV Loans with Doubtful Collectability	Group V Uncollectible Loans
<b>Current Period</b>	<b>27.147</b>	<b>214.512</b>	<b>460.275</b>
(Gross amounts before provisions)			
Restructured loans	27.147	214.512	460.275
<b>Prior Period</b>	<b>21.949</b>	<b>41.748</b>	<b>116.396</b>
(Gross amounts before provisions)			
Restructured loans	21.949	41.748	116.396

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(ii) Movement of non-performing loans

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
<b>Balances at Beginning of Period</b>	<b>1.701.091</b>	<b>2.240.807</b>	<b>2.707.746</b>
Additions (+)	3.637.097	405.368	461.117
Transfers from Other Categories of Non-Performing Loans (+)	--	3.031.860	2.523.842
Transfers from Other Categories of Non-Performing Loans (-)	3.031.860	2.523.842	--
Collections (-)	418.819	614.538	397.519
Write-offs (-)	--	--	--
Sales (-) (*)	54	909	201.464
Corporate and Commercial Loans	2	10	6.307
Retail Loans	28	337	76.594
Credit Cards	6	157	45.760
Other	18	405	72.803
<b>Balances at End of the Period</b>	<b>1.887.455</b>	<b>2.538.746</b>	<b>5.093.722</b>
Specific Provisions (-)	595.317	1.423.455	3.760.211
<b>Net Balance on Balance Sheet</b>	<b>1.292.138</b>	<b>1.115.291</b>	<b>1.333.511</b>

(\*) In March 2019 the Bank sold its retail loan portfolio, which is being followed in the legal follow-up accounts, amounting to TL 122.511 for TL 8.277 and its business portfolio amounting to TL 58.635 for TL 2.360 and its corporate-commercial portfolio amounting to TL 21.281 for TL 170 to the asset management companies.

(iii) Information on non-performing loans and other receivables in foreign currencies

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
<b>Current Period: 30 September 2019</b>			
Balance as of the Period End	18.743	252.902	732
Provisions (-)	--	152.501	--
<b>Net Balance on Balance Sheet</b>	<b>18.743</b>	<b>100.401</b>	<b>732</b>
<b>Prior Period: 31 December 2018</b>			
Balance as of the Period End	203.226	8.670	3.910
Provisions (-)	--	8.670	--
<b>Net Balance on Balance Sheet</b>	<b>203.226</b>	<b>--</b>	<b>3.910</b>

(iv) Information on non-performing loans according to beneficiary group

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
<b>Current Period (Net): 30 September 2019</b>	<b>1.292.138</b>	<b>1.115.291</b>	<b>1.333.511</b>
Loans Granted to Real Persons and Legal Entities (Gross)	1.887.455	2.538.746	5.093.722
Provisions (-)	595.317	1.423.455	3.760.211
Loans Granted to Real Persons and Legal Entities (Net)	1.292.138	1.115.291	1.333.511
Banks (Gross)	--	--	--
Provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan (Gross)	--	--	--
Provisions (-)	--	--	--
Other Loan (Net)	--	--	--
<b>Prior Period (Net): 31 December 2018</b>	<b>1.004.393</b>	<b>997.437</b>	<b>566.703</b>
Loans Granted to Real Persons and Legal Entities (Gross)	1.701.091	2.240.649	2.707.746
Provisions (-)	696.698	1.243.212	2.141.043
Loans Granted to Real Persons and Legal Entities (Net)	1.004.393	997.437	566.703
Banks (Gross)	--	--	--
Provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan (Gross)	--	158	--
Provisions (-)	--	158	--
Other Loan (Net)	--	--	--

(v) Information on accrual of interest, rediscount rate and valuation difference and their provisions

	Group III	Group IV	Group V
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
<b>Current Period (Net)</b>	<b>61.053</b>	<b>174.112</b>	<b>284.506</b>
Accrual of interest and discount rate with valuation difference	105.220	304.306	617.714
Amount of provision (-)	44.167	130.194	333.208
<b>Prior Period (Net)</b>	<b>68.100</b>	<b>139.183</b>	<b>27.706</b>
Accrual of interest and discount rate with valuation difference	130.511	256.807	59.803
Amount of provision (-)	62.411	117.624	32.097

**e. Information on financial assets measured at amortized cost**

**1. Information on securities subject to repurchase agreement and given as collateral or blocked**

(i) Information on securities subject to repurchase agreement

Financial assets measured at amortized cost subject to repurchase agreement are none.(31 December 2018: TL 1.111.654).

(ii) Information on securities subject to given as collateral or blocked

Collateralized financial assets measured at amortized cost are government bonds, whose book value amounts to TL 1.429.521 (31 December 2018: TL 951.233).

**2. Information on government securities in financial assets measured at amortized cost**

<i>Financial assets measured at amortized cost</i>	<b>Current Period</b>	<b>Prior Period</b>
Government Bonds	6.520.118	6.239.810
Treasury Bills	--	--
Other Government Debt Securities	--	--
<b>Total</b>	<b>6.520.118</b>	<b>6.239.810</b>

**3. Information on financial assets measured at amortized cost**

<i>Financial assets measured at amortized cost</i>	<b>Current Period</b>	<b>Prior Period</b>
<b>Debt Securities</b>	<b>6.520.118</b>	<b>6.239.810</b>
Quoted on Stock Exchange	6.486.071	6.239.810
Unquoted on Stock Exchange	34.047	--
<b>Impairment (-)</b>	<b>--</b>	<b>--</b>
<b>Total</b>	<b>6.520.118</b>	<b>6.239.810</b>

**4. Information on the movement of financial assets measured at amortized cost during the period**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the beginning of the period</b>	<b>6.239.810</b>	<b>5.335.638</b>
Foreign exchange differences (*)	280.308	1.265.697
Purchases during the year	--	--
Disposals/Redemptions	--	(361.525)
<b>Impairment losses (-)</b>	<b>--</b>	<b>--</b>
<b>Total</b>	<b>6.520.118</b>	<b>6.239.810</b>

(\*) Accruals of financial assets measured at amortized cost are included in "foreign exchange differences".

The Parent Bank transferred a portion of its securities from "financial assets at fair value through other comprehensive income" portfolio, with a new cost amounting to TL 2.826.026 and US Dollar 320.674 as of reclassification date, to the "financial assets measured at amortized cost" portfolio due to change in the intention of holding on 23 July, 24 July, 26 December 2013, 24 January 2014 and 1 November 2016. The negative valuation differences amounting to TL 326.599 followed under equity until the date of classification will be amortized with effective interest method and recycled to profit/loss until the maturities of these securities. As of the balance sheet date, the remaining negative valuation difference under equity is TL 141.677 (31 December 2018: TL 173.970).

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**f. Investments in associates**

**1. Investments in unconsolidated associates**

Title	Address (City/Country)	The Parent Bank's share percentage (%)	The Parent Bank's risk group share percentage (%)
1-Kredi Kayıt Bürosu A.Ş. <sup>(1)</sup>	Istanbul/Turkey	9	--
2-Kredi Garanti Fonu A.Ş. <sup>(2)</sup>	Ankara/Turkey	2	--
3-Ege Tarım Ürünleri Lisanslı Dep. A.Ş. <sup>(2)</sup>	İzmir/Turkey	9	--

	Total Assets	Shareholders 'Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value
1	321.197	213.805	212.133	5.920	--	16.401	23.681	--
2	476.692	392.969	22.805	57.263	--	64.893	135.818	--
3	12.481	11.701	8.103	186	--	1.729	(534)	--

<sup>(1)</sup> Information on the financial statements is presented as of the period ended 30 June 2019.

<sup>(2)</sup> Information on the financial statements is presented as of the period ended 31 December 2018.

**2. Investments in consolidated associates**

There are no investments in consolidated associates.

**g. Investments in subsidiaries**

**1. Information on shareholders' equity of major subsidiaries**

The parent Bank does not need any capital requirement due to its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio.

Amounts at below table are prepared within the scope of regulation valid for Denizbank AG and they are obtained from financial data of 30 September 2019.

	Denizbank AG
Paid-in capital	1.429.725
Share premium	2.100.675
Reserves	6.297.257
Deductions from capital	6.519
<b>Total Common Equity</b>	<b>9.821.138</b>
Total additional Tier I capital	--
Deductions from capital	26.074
<b>Total Core Capital</b>	<b>9.795.064</b>
Total supplementary capital	169.910
<b>Capital</b>	<b>9.964.974</b>
Deductions from capital	--
<b>SHAREHOLDERS' EQUITY</b>	<b>9.964.974</b>

**2. Information on non-consolidated subsidiaries**

Title	Address (City/Country)	The Parent Bank's share percentage (%)	Other shareholders' share percentage (%)
1-Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş.	Istanbul/Turkey	100	--
2-Denizbank Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş.	Istanbul/Turkey	100	--
3-Deniz Kartlı Ödeme Sistemleri A.Ş.	Istanbul/Turkey	100	--
4-Açık Deniz Radyo ve Televizyon İletişim Yayıncılık ve Sanayi A.Ş.	Istanbul/Turkey	--	100
5-Deniz Immobilien Service GmbH	Vienna/Austria	--	100
6-Ekspres Bilgi İşlem ve Ticaret A.Ş.	Istanbul/Turkey	71	29

	Total Assets	Shareholders 'Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value
1	356.327	239.324	42.289	3.353	--	30.714	15.815	--
2	1.129	1.120	--	--	--	(47)	(90)	--
3	173	173	31	22	--	(17)	(11)	--
4	391	387	--	--	--	33	20	--
5	116	116	--	--	--	0	(2)	--
6	19.290	18.923	12.289	110	--	1.658	347	--

Information on the financial statements is presented as of the period ended 30 September 2019, and those subsidiaries are not included in consolidation because they are non-financial subsidiaries.

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**3. Information on consolidated subsidiaries**

Title	Address (City/Country)	The Parent Bank's share percentage(%)	Other shareholders' share percentage (%) (*)	Consolidation Method
1 Denizbank AG	Vienna/Austria	100	--	Full consolidation
2 Eurodeniz International Banking Unit Ltd.	Nicosia / Cyprus	100	--	Full consolidation
3 Deniz Yatırım Menkul Kıymetler A.Ş.	Istanbul/Turkey	100	--	Full consolidation
4 JSC Denizbank Moskova	Moscow / Russia	49	51	Full consolidation
5 Deniz Portföy Yönetimi A.Ş.	Istanbul/Turkey	--	100	Full consolidation
6 Deniz Finansal Kiralama A.Ş.	Istanbul/Turkey	49	51	Full consolidation
7 Deniz Faktoring A.Ş.	Istanbul/Turkey	100	--	Full consolidation
8 Deniz Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	--	89	Full consolidation
9 CR Erdberg Eins GmbH & Co KG	Vienna/Austria	--	100	Full consolidation

(\*) Presenting risk group of Bank's share percentage.

	Total Assets	Shareholders 'Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value	Capital requirement
1	67.900.057	10.001.456	146.708	1.907.378	15.569	434.967	618.412	--	--
2	1.944.978	40.563	58	49.173	--	481	441	--	--
3	536.378	434.501	12.687	38.593	--	79.166	88.116	--	--
4	1.586.200	556.407	6.174	80.618	12.099	51.215	42.340	--	--
5	28.950	20.846	4.015	2.929	86	5.446	3.262	--	--
6	2.829.934	722.294	349.556	189.596	--	28.113	25.471	--	--
7	1.835.660	431.520	11.970	365.710	--	52.056	68.742	--	--
8	784.545	249.630	2.791	2.676	--	(911)	12.212	--	--
9	191.541	167.037	151.242	3	--	851	2.638	--	--

Includes information on the consolidated financial statements as of 30 September 2019.

**(i) Movement of consolidated subsidiaries**

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>3.265.326</b>	<b>2.731.577</b>
<b>Movements during the Period</b>	<b>20.882</b>	<b>533.749</b>
Purchases (**)	--	303.801
Bonus Shares Received	--	--
Dividends from Current Year Profit	--	--
Sales (*)	--	(2.810)
Revaluation Increase, Effect of Inflation and F/X Difference	20.882	232.758
Other	--	--
Allowance for impairment	--	--
<b>Balance at the End of the Period</b>	<b>3.286.208</b>	<b>3.265.326</b>
<b>Capital Commitments</b>	--	--
<b>Share Percentage at the end of Period (%)</b>	--	--

(\*) Deniz Yatırım sold 2,5% of the shares of Deniz GYO, its 91% subsidiary, with a cost of TL 2.810, in February and March 2018.

(\*\*) It is disclosed in Notes III of Section Three.

**(ii) Sectorial information on the consolidated subsidiaries and the related carrying amounts**

	Current Period	Prior Period
Banks	1.971.178	1.969.123
Insurance Companies	--	--
Factoring Companies	138.107	138.107
Leasing Companies	749.694	737.656
Finance Companies	--	--
Other Subsidiaries	427.229	420.440
<b>Total</b>	<b>3.286.208</b>	<b>3.265.326</b>

Balances of the consolidated subsidiaries above have been eliminated in the accompanying financial statements.

**(iii) Quoted subsidiaries within the consolidation scope**

	Current Period	Prior Period
Quoted on domestic markets	156.819	152.376
Quoted on foreign markets	--	--

(iv) Consolidated subsidiaries disposed during the current period: None.

(v) Consolidated subsidiaries acquired during the current period: None.

**h. Entities Under Common Control (Joint Ventures)**

**1. Entities Under Common Control (Joint Ventures)**

Title	The Parent Bank's share percentage (%)	The Group's share percentage (%)	Current Assets	Non-Current Assets	Non-Current Liabilities	Income	Expenses
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	33	33	64.326	42.538	10.543	100.688	(83.218)

Information on the unaudited financial statements is presented as of the period ended 30 June 2019.

**2. Reasons of being non-consolidated for non-consolidated entities under common control (Joint Ventures) and methods of recognition of entities under common control (Joint Ventures) in the Parent Bank's unconsolidated financial statements**

The Parent Bank, although represents Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. ("Bantaş") with 33% of ownership rate as entities under common control in its financial statements, it was not consolidated due to being a non-financial entity. This investment is carried at cost.

**i. Information on receivables from leasing activities**

**1. Maturity analysis of finance lease receivables**

	Current Period (*)		Prior Period (*)	
	Gross	Net	Gross	Net
Less than 1 year	430.080	361.155	111.908	110.800
Between 1-4 years	1.914.668	1.461.772	2.226.843	1.721.109
Over 4 years	780.909	681.727	859.781	741.420
<b>Total</b>	<b>3.125.657</b>	<b>2.504.654</b>	<b>3.198.532</b>	<b>2.573.329</b>

(\*) Amount of TL 375.033 are not included non-performing lease receivables (31 December 2018: TL 486.781).

**2. Information on net investments in finance lease receivables**

	Current Period (*)	Prior Period (*)
Gross finance lease receivable	3.125.657	3.198.532
Unearned finance income (-)	621.003	625.203
Cancelled leasing agreements (-)	--	--
<b>Net investment on finance leases</b>	<b>2.504.654</b>	<b>2.573.329</b>

(\*) Amount of TL 375.033 are not included non-performing lease receivables (31 December 2018: TL 486.781).

**3. Information on operating lease activities**

Deniz Finansal Kiralama A.Ş. started to fleet rental operations in the scope of operational leasing in June 2014.

Future receivables arising from leased assets are not recognized in the Group's balance sheet. Receivables arising from the rents invoiced within the period are recognized in the Group's balance sheet.

As of 30 September 2019, the Group's receivables which arise from its operational leasing agreements and will emerge in the future are distributed as follows by year:

	Current Period	Prior Period
Up to 1 year	299.360	63.956
Between 1-5 years	--	58.696
5 years and over	--	--
<b>Total</b>	<b>299.360</b>	<b>122.652</b>

**j. Explanation on hedging purpose derivatives**

None.

**k. Explanation on investment property**

Investment properties are properties held by Deniz GYO for the basic purpose of making lease profit.

As of 30 September 2019, the Group's investment property amounts to TL 203.835 (31 December 2018: TL 202.001) which are carried by their fair value in the consolidated financial statements.

**l. Information on deferred tax asset**

Deferred tax asset calculated on the basis of related regulation is TL 1.332.150 (31 December 2018: TL 1.213.623) and deferred tax liability is TL 25.233 (31 December 2018: TL 25.828). These balances are the net of deductible and taxable temporary differences calculated as of the balance sheet date.

The following table presents the deferred tax assets according to nature:

	<b>Current Period</b>	<b>Prior Period</b>
Miscellaneous Provisions	1.279.873	881.498
Provision for Employee Benefits	75.256	35.275
Unearned Revenue	72.144	71.869
Tax Losses Carried Forward (*)	--	296.702
Valuation Differences of Derivatives	--	26.358
Other	202.713	--
<b>Deferred Tax Assets</b>	<b>1.629.986</b>	<b>1.311.702</b>
Valuation Differences of Derivatives	(174.930)	--
Valuation Differences of Financial Assets	(79.477)	(59.675)
Valuation Differences of Tangible Fixed Assets	(68.662)	(64.193)
Other	--	(39)
<b>Deferred Tax Liabilities</b>	<b>(323.069)</b>	<b>(123.907)</b>
<b>Net Deferred Tax Assets</b>	<b>1.306.917</b>	<b>1.187.795</b>

(\*) Tax losses carried forward mainly consist of valuation differences of financial assets in accordance with Tax Procedure Law in the calculation of corporate tax.

**m. Explanation on property and equipment held for sale and related to discontinued operations**

None.

**n. Information on other assets**

**1. Information on prepaid expense, taxes and similar items**

DFS Group's total prepaid expenses are TL 483.144 (31 December 2018: TL 503.592).

**2. Other assets do not exceed 10% of total assets excluding the off-balance sheet items.**



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**II. Explanations and disclosures related to consolidated liabilities**

**a. Information on deposits**

**1. Information on maturity structure of deposits**

**Current period - 30 September 2019:**

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	3.423.716	--	2.831.310	25.505.441	535.874	412.818	1.177.762	8.181	33.895.102
Foreign Currency Deposits (*)	26.170.255	--	10.736.143	20.686.021	3.238.909	4.760.301	34.896.500	1.110	100.489.239
Residents in Turkey	10.450.522	--	9.485.081	19.251.139	2.060.007	640.562	4.090.286	1.103	45.978.700
Residents Abroad	15.719.733	--	1.251.062	1.434.882	1.178.902	4.119.739	30.806.214	7	54.510.539
Public Sector Deposits	1.120.789	--	64.029	430.297	30.855	201	1.743	--	1.647.914
Commercial Deposits	2.917.227	--	3.108.078	4.878.871	223.046	77.992	49.373	--	11.254.587
Other Ins. Deposits	113.148	--	116.965	708.646	76.561	7.840	107.619	--	1.130.779
Precious Metal Deposits	715.233	--	61.586	532.605	68.414	33.674	103.663	7.142	1.522.317
Bank Deposits	211.281	--	728.901	1.218.852	7.800	48.436	314.611	--	2.529.881
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	8.624	--	--	19.372	6.927	2.406	2.000	--	39.329
Foreign Banks	200.706	--	728.901	1.199.480	873	46.030	312.611	--	2.488.601
Special Finan. Inst.	1.951	--	--	--	--	--	--	--	1.951
Other	--	--	--	--	--	--	--	--	--
<b>Total</b>	<b>34.671.649</b>	<b>--</b>	<b>17.647.012</b>	<b>53.960.733</b>	<b>4.181.459</b>	<b>5.341.262</b>	<b>36.651.271</b>	<b>16.433</b>	<b>152.469.819</b>

(\*) Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 69.228.016 and Commercial Deposit customers at the amount of TL 31.261.223.

**Prior period - 31 December 2018:**

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2.639.350	--	2.935.189	25.744.233	1.535.696	1.081.992	794.810	13.340	34.744.610
Foreign Currency Deposits (*)	23.792.891	--	7.189.125	16.258.823	1.548.768	7.873.893	32.036.437	1.579	88.701.516
Residents in Turkey	8.521.239	--	6.333.878	14.185.768	852.219	1.225.391	4.279.197	1.417	35.399.109
Residents Abroad	15.271.652	--	855.247	2.073.055	696.549	6.648.502	27.757.240	162	53.302.407
Public Sector Deposits	772.601	--	32.122	49.246	19.336	1.314	913	--	875.532
Commercial Deposits	2.462.105	--	3.116.905	4.681.878	141.146	148.873	28.305	--	10.579.212
Other Ins. Deposits	118.976	--	77.692	987.865	167.608	17.511	68.481	--	1.438.133
Precious Metal Deposits	402.361	--	53.384	378.595	29.670	43.033	10.890	6.653	924.586
Bank Deposits	171.775	--	1.160.153	569.867	6	49.521	726.565	--	2.677.887
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	10.202	--	--	--	--	6.779	2.000	--	18.981
Foreign Banks	160.565	--	1.160.153	569.867	6	42.742	724.565	--	2.657.898
Special Finan. Inst.	1.008	--	--	--	--	--	--	--	1.008
Other	--	--	--	--	--	--	--	--	--
<b>Total</b>	<b>30.360.059</b>	<b>--</b>	<b>14.564.570</b>	<b>48.670.507</b>	<b>3.442.230</b>	<b>9.216.137</b>	<b>33.666.401</b>	<b>21.572</b>	<b>139.941.476</b>

(\*) Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 63.002.143 and Commercial Deposit customers at the amount of TL 25.699.373.

**2. Information on deposit insurance**

- (i) Information on saving deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit

Deposits owned by foreign subsidiaries in scope of consolidation are under insurance coverage according to legislations of countries in which they are located and are not included in following table.

	Saving Deposit Insurance Fund		Exceeding the Insurance Coverage Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	21.814.008	17.976.394	12.019.466	16.731.784
Foreign Currency Saving Deposits	8.359.314	4.608.101	18.390.226	15.279.925
Other Saving Deposits	--	--	--	--
Saving Deposits	--	--	--	--
Foreign Branches' Deposits Under Foreign Insurance Coverage	--	--	--	--
<b>Total</b>	<b>30.173.322</b>	<b>22.584.495</b>	<b>30.409.692</b>	<b>32.011.709</b>

(ii) Saving deposits that are not under the guarantee of deposit insurance fund

	Current Period	Prior Period
Deposits and Other Accounts in Foreign Branches	124.942	113.615
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children under Their Wardship	--	--
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEO with Their Parents, Spouse and Children under Their Wardship	78.371	74.037
Deposits and Other Accounts linked to Crimes Mentioned in 282nd Article of 5237 Numbered Turkish Penal Code dated on 26/09/2004	--	--
Deposits belong to Off-Shore Banks who are established in Turkey	303.278	303.889
<b>Total</b>	<b>506.591</b>	<b>491.541</b>

(iii) Saving deposits in Turkey are not covered by any insurance in any other countries since the Bank's headquarter is not located abroad.

**b. Information on trading purpose derivatives**

**1. Negative value of trading purpose derivatives**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	127	181.979	93.476	121.315
Swap Transactions	103.523	833.167	814.597	726.089
Futures Transactions	--	--	--	--
Options	104	74.533	32	294.354
Other	--	--	--	--
<b>Total</b>	<b>103.754</b>	<b>1.089.679</b>	<b>908.105</b>	<b>1.141.758</b>

**c. Information on funds borrowed**

**1. Information on banks and other financial institutions**

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank Loans	--	--	--	--
Domestic Banks and Institutions	539.499	962.165	1.829.916	1.012.863
Foreign Banks, Institutions and Funds	748.191	9.114.001	--	13.519.381
<b>Total</b>	<b>1.287.690</b>	<b>10.076.166</b>	<b>1.829.916</b>	<b>14.532.244</b>

**2. Maturity information of funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	1.287.690	5.149.177	1.829.916	9.231.621
Medium and Long-Term	--	4.926.989	--	5.300.623
<b>Total</b>	<b>1.287.690</b>	<b>10.076.166</b>	<b>1.829.916</b>	<b>14.532.244</b>

**d. Information on securities issued**

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	--	293.530	7.164	901.682
Bills	4.793.317	--	3.079.013	--
Asset Backed Securities	--	--	--	--
<b>Total</b>	<b>4.793.317</b>	<b>293.530</b>	<b>3.086.177</b>	<b>901.682</b>

Nominal value of TL 67 of the securities issued were repurchased by the Parent Bank and offset in the financial statements (31 December 2018: TL 9.976).

**e. If other liabilities line of the balance sheet exceeds 10% of the balance sheet total; excluding the off balance sheet commitments; information on components making up at least 20% of the other liabilities**

Other liabilities do not exceed 10% of the balance sheet total excluding the off-balance sheet items.

**f. Information on lease payables**

With the "IFRS 16 Leases" standard effective from 1 January 2019, the difference between operating leases and financial leases has been eliminated and the leasing transactions have been presented under "Liabilities from Leasing Operations". Impacts and adoption of transition to IFRS 16 is disclosed in Section three notes XXVI.

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	226.185	112.322	--	--
Between 1-4 years	613.319	380.622	--	--
Over 4 years	165.575	136.607	--	--
<b>Total</b>	<b>1.005.079</b>	<b>629.551</b>	<b>--</b>	<b>--</b>

**g. Information on liabilities arising from hedging purpose derivatives**

None.

**h. Explanation on provisions**

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

As of 30 September 2019, allocated for the exchange rate differences of loans indexed to foreign currency amount is TL 15 (31 December 2018: None). Provisions for exchange rate differences pertaining to loans indexed to foreign currency are netted off against the loans and receivables under assets in the financial statements.

**2. Liabilities on provision for employee benefits**

TAS 19 requires using the actuarial method for calculation of obligations the company.

Accordingly, the following actuarial assumptions were used in the calculation of the total reserve for employee termination benefits:

	Current Period	Prior Period
Discount rate	5,45%	5,45%
Interest rate	16,00%	16,00%
Expected rate of salary/limit increase	10,00%	10,00%

As of 30 September 2019, TL 162.509 of provision for employee termination benefits (31 December 2018: TL 130.477) and TL 205.655 of unused vacation accruals (31 December 2018: TL 92.583) were reflected to the consolidated financial statements.

Movement of the provision during the period:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>130.477</b>	<b>111.109</b>
Changes in the period	51.442	18.502
Actuarial loss/gain	--	38.690
Paid in the period	(19.274)	(39.356)
FX difference	(136)	1.532
<b>Balance at the End of the Period</b>	<b>162.509</b>	<b>130.477</b>

### 3. Information on other provisions

#### (i) Information on other provisions exceeding 10% of total provisions

##### Current period:

TL 520.373 of other provisions is the expected credit loss for Stage 1 and Stage 2 non-cash loans, TL 154.724 is related to Stage 3 expected loss provisions for NPL customers' non-cash loans that are not converted into cash, TL 96.500 provision for possible developments in the overall economic and market conditions, TL 85.638 for provisions for the litigations against the Bank and TL 269.989 includes other provisions.

##### Prior period:

TL 241.361 of other provisions is the expected credit loss for Stage 1 and Stage 2 non-cash loans, TL 88.105 is related to Stage 3 expected loss provisions for NPL customers' non-cash loans that are not converted into cash, TL 90.000 provision for possible developments in the overall economic and market conditions, TL 96.242 for provisions for the litigations against the Bank and TL 206.400 includes other provisions.

### i. Information on taxation

#### 1. Information on current taxes

##### (i) Information on current tax liability

As of 30 September 2019, the corporate tax provision of DFS Group is TL 508.527 (31 December 2018: TL 386.533), and it has been offset with prepaid taxes amounting to TL 195.856 (31 December 2018: TL 308.479).

##### (ii) Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	312.671	78.054
Taxation on securities	148.270	80.451
Capital gains taxes on property	2.461	2.789
Banking Insurance Transaction Tax (BITT)	93.748	100.733
Taxes on foreign exchange transactions	2.185	--
Value added taxes payable	4.621	7.445
Other	20.662	62.682
<b>Total</b>	<b>584.618</b>	<b>332.154</b>

##### (iii) Information on premiums

	Current Period	Prior Period
Social security premiums- employee share	11.106	9.998
Social security premiums- employer share	12.282	11.112
Bank pension fund premium- employee share	--	--
Bank pension fund premium- employer share	--	--
Pension fund membership fees and provisions- employee share	733	694
Pension fund membership fees and provisions- employer share	898	850
Unemployment insurance- employee share	795	721
Unemployment insurance- employer share	1.542	1.382
Other	9.300	6.038
<b>Total</b>	<b>36.656</b>	<b>30.795</b>

#### 2. Information on deferred tax liabilities

Deferred tax liability calculated on the basis of related regulation is TL 25.233 (31 December 2018: TL 25.828). Information on deferred taxes is disclosed in Note "I" of explanations and disclosures related to consolidated assets.

### j. Information on debts of fixed assets held for sales purposes and related to discontinuing operations

None.

**k. Information on shareholders' equity**

**1. Paid-in capital**

	Current Period	Prior Period
Common Stock	3.316.100	3.316.100
Preferred Stock	--	--

Paid-in capital of the Parent Bank is shown at nominal value.

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

Registered paid-in capital system is not applied.

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

None.

**4. Information on share capital increases from revaluation funds**

None.

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

The capital is totally paid in and there are no capital commitments.

**6. Prior period indicators of the Parent Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering uncertainty indicators**

Balance sheets of the entities under DFS Group are managed prudently, to minimize the negative effects of interest rate, foreign currency and credit risks. This policy contributes to the progress of DFS Group's profitability with a steady increasing trend.

**7. Information on the privileges given to stocks representing the capital**

The Parent Bank does not have any preferred stocks.

**8. Common stock issue premiums, shares and equity instruments**

	Current Period	Prior Period
Number of Shares (*)	50.368.526	50.368.526
Preferred Stock	--	--
Common Stock Issue Premium (**)	15	15
Common Stock Cancellation Profits	--	--
Other Equity Instruments	--	--
Total Common Stock Issued (*)	50.369	50.369

(\*) Related to the Bank's paid-in capital increase on 27 September 2004. At that date, the paid-in capital was increased from TL 202.000 to TL 290.000; and TL 50.369 of this TL 88.000 increase was received in cash through issuance of new shares to the public.

(\*\*) The share price for the above mentioned public issuance was "twothousandeighthundredandseventyfive" Turkish Liras and a total issuance premium of TL 94.441 was realized. The inflation restatement effect of TL 3.910 was also recognized over the original balance until December 2004. A total issuance premium of TL 60 was realized through the Bank's paid-in capital increase amounting TL 400.000 on 28 August 2008.

Share premium at an amount of TL 94.501 and inflation adjustment differences of share premium at an amount of TL 3.910 has been added to paid-in capital with the capital increase made by the Bank at the date of 14 October 2015.

A share premium at an amount of TL 15 has been occurred due to capital increase on 28 June 2016 at an amount of TL 1.500.000.

**9. Information on securities revaluation reserve**

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and JVs	778.053	--	778.054	--
Valuation Difference	(280.989)	79.740	(662.813)	(142.428)
FX Difference	--	--	--	--
<b>Total</b>	<b>497.064</b>	<b>79.740</b>	<b>115.241</b>	<b>(142.428)</b>

**10. Information on hedging funds**

Explanations about hedging funds are in Note VIII of Section Four.

**11. Information on minority shares**

	Current Period
<b>Balance at the Beginning of the Period</b>	<b>14.396</b>
Minority interest in net income of consolidated subsidiaries	(85)
Increase/(decrease) in minority interest due to disposals	--
Other	--
<b>Balance at the End of the Period</b>	<b>14.311</b>

**12. Information on revaluation differences of tangible assets**

DFS Group has passed to revaluation model from cost model in the framework of TAS 16 "Tangible Fixed Assets" in valuation of properties in use which are recorded under tangible fixed assets as of 31 December 2016 while it records all of its other tangible fixed assets in accordance with cost model. Revaluation difference amount of TL 83.189 is recognized "Other Accumulated Comprehensive Income That Will Not Be Reclassified in Profit or Loss" under equities as a result of revaluation process (31 December 2018: TL 83.193).

**13. Explanation of profit distribution**

According to the dividend distribution proposal of the Parent Bank's Board of Directors at the Ordinary General Assembly held on 28 March 2019, TL 109.126 is allocated as legal reserve, and the remaining TL 2.073.397 from the net profit of the year 2018 amounting to TL 2.182.523 is allocated to extraordinary reserves.

### III. Explanations and disclosures related to consolidated off-balance sheet items

#### a. Information related to off-balance sheet commitments

##### 1. Type and amount of irrevocable commitments

All of DFS Group's off-balance sheet loan commitments are in the nature of irrevocable commitments. As of 30 September 2019, non-cash loans, commitments for credit card limits and commitments for cheque payments are TL 32.557.623, TL 20.322.891 and TL 1.936.492 respectively (31 December 2018: TL 33.678.054, TL 19.225.849 and TL 1.815.134 respectively). These items are detailed in the off-balance sheet accounts.

##### 2. Type and amount of possible losses from off-balance sheet items referred to below

###### (i) Guarantees, bills of exchange and acceptances and other letters of credit which can be considered as financial collateral

As of 30 September 2019, DFS Groups has letters of guarantee amounting to TL 25.722.017, bills of exchange and acceptances amounting to TL 154.535, and guarantees and sureties on letters of credit amounting to TL 3.094.570 and other guarantees and sureties amounting to TL 3.586.501.

As of 31 December 2018, DFS Group has letters of guarantee amounting to TL 26.328.530, bills of exchange and acceptances amounting to TL 223.364, and guarantees and sureties on letters of credit amounting to TL 3.511.834 and other guarantees and sureties amounting to TL 3.614.326.

###### (ii) Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Provisional Letters of Guarantee	945.950	746.614
Final Letters of Guarantee	15.362.309	15.725.413
Letters of Guarantee for Advances	2.517.230	2.557.254
Letters of Guarantee given to Customs Offices	177.602	181.679
Other Letters of Guarantee	6.718.926	7.117.570
<b>Total</b>	<b>25.722.017</b>	<b>26.328.530</b>

##### 3. Information on non-cash loans

###### (i) Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans Given for Obtaining Cash Loans	11.473.020	12.334.499
With Original Maturity of 1 Year or Less	11.294.262	10.867.251
With Original Maturity of More Than 1 Year	178.758	1.467.248
Other Non-Cash Loans	21.084.603	21.343.555
<b>Total</b>	<b>32.557.623</b>	<b>33.678.054</b>

#### b. Contingent assets and liabilities

The Group has provided a provision amounting to TL 85.638 (31 December 2018: TL 96.242) for the lawsuits against the Group in accordance with the precautionary principle. These provisions are classified among "Other provisions". Except for those provisioned, other ongoing lawsuits are unlikely to result in a negative conclusion and cash outflow is not foreseen for them.

#### IV. Explanations and disclosures related to consolidated statement of income

##### a. Interest income

##### 1. Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term Loans	3.217.444	359.183	2.849.224	241.105
Medium and Long Term Loans	6.376.923	2.758.653	5.445.680	2.398.224
Loans Under Follow-Up	462.945	--	128.429	--
Premiums Received from Resource Utilization Support Fund	--	--	--	--
<b>Total</b>	<b>10.057.312</b>	<b>3.117.836</b>	<b>8.423.333</b>	<b>2.639.329</b>

Interest income received from loans also includes fees and commissions from cash loans granted.

##### 2. Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	456	--	77.700	11.261
Domestic Banks	76.383	7.817	56.855	15.895
Foreign Banks	--	72.252	1.598	35.096
Foreign Head Offices and Branches	--	--	--	--
<b>Total</b>	<b>76.839</b>	<b>80.069</b>	<b>136.153</b>	<b>62.252</b>

The interest income from required reserves that maintain in CBRT of Parent Bank amounting to TL 145.054 recognized under "Interest Income Received From Required Reserves" account (1 January - 30 September 2018 TL 133.336).

##### 3. Information on interest income received from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	11.246	1.064	14.362	622
Financial Assets at Fair Value Through Other Comprehensive Income	616.288	121.197	468.459	22.169
Financial Assets Measured at Amortized Cost	319.369	80.692	293.338	58.009
<b>Total</b>	<b>946.903</b>	<b>202.953</b>	<b>776.159</b>	<b>80.800</b>

As stated in the chapter III footnote numbered VII, the Parent Bank has government securities in the financial assets at fair value through other comprehensive income and financial assets measured at amortized cost portfolios with a maturity of 5 to 10 years and having CPI indexed 6 months real coupon ratio fixed until maturity. As stated in the Undersecretariat of Treasury's securities indexed CPI Investors Guide, the reference indexes used in calculating the actual coupon payment amounts of these assets are based on the CPI of previous two months. The Parent Bank determines the estimated inflation rate accordingly. The estimated inflation rate is updated as needed within the year. The Parent Bank determines the estimated inflation rate in parallel. Estimated inflation rate is updated during the year when deemed necessary. In this context, as of 30 September 2019, valuation of these securities is made according to 9% annual inflation forecast.

##### 4. Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	191	472

##### b. Interest expense

##### 1. Information on interest expense related to funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>193.485</b>	<b>838.915</b>	<b>245.296</b>	<b>711.224</b>
Central Bank of the Republic of Turkey	--	41.955	27	26.173
Domestic Banks	171.509	78.939	156.222	59.698
Foreign Banks	21.976	718.021	89.047	625.353
Foreign Head Offices and Branches	--	--	--	--
<b>Other Institutions</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total</b>	<b>193.485</b>	<b>838.915</b>	<b>245.296</b>	<b>711.224</b>

Interest expense related to funds borrowed also includes fees and commission expenses.



**2. Information on interest expense paid to associates and subsidiaries**

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	11.684	8.154

**3. Information on interest expense paid to securities issued**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid to Securities Issued	722.216	--	418.684	--

**4. Maturity structure of the interest expense on deposits**

Account Name	Demand Deposits	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More than 1 Year		
<b>TL</b>								
Bank Deposits	--	73.187	--	--	--	--	--	73.187
Saving Deposits	1.141	429.698	3.701.302	132.567	123.327	151.875	831	4.540.741
Public Sector Deposits	--	2.162	6.914	3.147	129	221	--	12.573
Commercial Deposits	10	468.675	601.596	24.205	19.950	6.019	--	1.120.455
Other Deposits	627	32.013	148.502	16.954	4.641	7.885	--	210.622
"7 Days' Notice" Deposits	--	--	--	--	--	--	--	--
<b>Total</b>	<b>1.778</b>	<b>1.005.735</b>	<b>4.458.314</b>	<b>176.873</b>	<b>148.047</b>	<b>166.000</b>	<b>831</b>	<b>5.957.578</b>
<b>FC</b>								
Foreign Currency Deposits	219.197	435.143	442.804	24.726	18.696	44.276	--	1.184.842
Bank Deposits	14.493	20.778	--	--	--	--	--	35.271
"7 Days' Notice" Deposits	--	--	--	--	--	--	--	--
Precious Metal Deposits	8	532	4.774	899	324	1.391	95	8.023
<b>Total</b>	<b>233.698</b>	<b>456.453</b>	<b>447.578</b>	<b>25.625</b>	<b>19.020</b>	<b>45.667</b>	<b>95</b>	<b>1.228.136</b>
<b>Grand Total</b>	<b>235.476</b>	<b>1.462.188</b>	<b>4.905.892</b>	<b>202.498</b>	<b>167.067</b>	<b>211.667</b>	<b>926</b>	<b>7.185.714</b>

**c. Information on trading income/loss**

	Current Period	Prior Period
<b>Income</b>	<b>450.559.180</b>	<b>662.518.022</b>
Capital Market Transactions	100.139	59.616
Derivative Financial Instruments	13.488.552	8.403.558
Foreign Exchange Gains	436.970.489	654.054.848
<b>Loss (-)</b>	<b>451.011.316</b>	<b>662.538.541</b>
Capital Market Transactions	78.205	49.418
Derivative Financial Instruments	13.347.232	5.700.644
Foreign Exchange Losses	437.585.879	656.788.479
<b>Net Trading Income / Loss</b>	<b>(452.136)</b>	<b>(20.519)</b>

Net gain/(loss) from foreign exchange translation differences related to derivative financial instruments is TL (10.565) (1 January - 30 September 2018: TL 4.176.365).

**d. Information on other operating income**

Other operating income consists of fees income from customers, fixed asset sales income, operating lease income and real estate appreciation increases for various banking services.

**e. Expected provision of credit loss**

	<b>Current Period</b>	<b>Prior Period</b>
Provision for expected credit loss	3.772.000	2.086.429
<i>Stage 1 - 12 months expected credit loss(*)</i>	<i>(270.861)</i>	<i>196.099</i>
<i>Stage 2 - Substantial increase in credit risk</i>	<i>2.077.522</i>	<i>700.374</i>
<i>Stage 3 - Default</i>	<i>1.965.339</i>	<i>1.189.956</i>
Provisions for securities impairment	--	--
<i>Financial assets at fair value through profit or loss</i>	--	--
<i>Financial assets at fair value through other comprehensive income</i>	--	--
Associates, subsidiaries and provisions for financial assets measured at amortized cost impairment	--	--
<i>Associates</i>	--	--
<i>Subsidiaries</i>	--	--
<i>Joint ventures</i>	--	--
Others	60.503	115.738
<b>Total</b>	<b>3.832.503</b>	<b>2.202.167</b>

(\*) Since 2018, DFS Group has reflected the expected credit loss provisions for loans and cancellations and collections made from loan provisions in its financial statements.

**f. Information related to other operational expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel Expenses (*)	1.360.223	1.185.084
Reserve for Employee Termination Benefits (*)	31.146	11.270
Reserve for Bank's Social Aid Fund Deficit	--	--
Impairment Losses on Tangible Assets	--	--
Depreciation Charges of Tangible Assets (**)	275.590	108.224
Impairment Losses on Intangible Assets	--	--
Goodwill for impairment loss	--	--
Amortization Charges of Intangible Assets	100.815	85.437
Impairment Losses on Investment Accounted for under Equity Method	--	--
Impairment of Assets to be Disposed	--	--
Depreciation of Assets to be Disposed	2.478	1.417
Impairment of Assets Held for Sale	--	--
Other Operating Expenses	878.199	954.012
<i>Operational Lease Expenses (**)</i>	<i>60.975</i>	<i>257.967</i>
<i>Repair and Maintenance Expenses</i>	<i>68.594</i>	<i>60.757</i>
<i>Advertisement Expenses</i>	<i>67.154</i>	<i>71.031</i>
<i>Other Expenses (***)</i>	<i>681.476</i>	<i>564.257</i>
Losses on Sale of Assets	1.319	778
Other	448.851	349.946
<b>Total</b>	<b>3.098.621</b>	<b>2.696.168</b>

(\*) Personnel expenses and reserve for employee termination benefits are presented in "personnel expenses" in the consolidated statement of income.

(\*\*) Includes the effect of TFRS 16.

(\*\*\*) Other expenses in other operational expenses comprise; communication expenses, IT repair and maintenance and software fees, stationary, representation, heating and lighting, credit card service fee and others amounting to TL 57.883, TL 118.140, TL 22.699, TL 2.776, TL 37.359, TL 178.166 and TL 264.453 respectively (1 January - 30 September 2018: TL 50.617, TL 96.212, TL 18.469, TL 4.873, TL 25.737, TL 161.364 and TL 206.985 respectively).

**g. Information on profit / loss before tax from continued operations**

As 1 January - 30 September 2019, DFS Group has a profit before tax from continuing operations amounting to TL 1.266.723 (1 January-30 September 2018: TL 2.032.556).

**h. Information on tax provision for continued and discontinued operations**

**1. Current period taxation benefit or charge and deferred tax benefit or charge**

As 1 January - 30 September 2019, the current period taxation charge on continuing operations is TL 506.796 (1 January - 30 September 2018: TL 316.403) while deferred tax charge is TL 1.785.307 (1 January - 30 September 2018: TL 3.668.267 and deferred tax benefit is TL 2.031.595 (1 January - 30 September 2018: TL 3.660.404).

There are not current period taxation charge on discontinuing operations.

**i. Information on net profit and loss**

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

Income generated from DFS Group's ordinary banking transactions during the current and prior period are mainly consisted of interest income from loans and marketable securities and income from other banking services. Main expense items are the interest expenses related to deposits and borrowings which are the main funding sources of marketable securities and loans.

**2. Profit or loss attributable to minority interests**

	<b>Current Period</b>	<b>Prior Period</b>
Profit/(loss) attributable to minority interests	(85)	1.382

- 3. No changes have been made in the accounting estimates which may have a material effect in the current period and materially affect subsequent periods.**

**j. If "other" lines of the income statement exceeds 10% of the period profit/loss, information on components making up at least 20% of "other" items**

<b>Other Fees and Commissions Received</b>	<b>Current Period</b>	<b>Prior Period</b>
Credit card clearing and other commissions	1.706.718	805.777
Contracted merchant / POS commissions	389.859	307.376
Filing fees	329.641	216.253
Insurance services	303.017	232.016
Intermediary services	109.384	96.961
Remittance commissions	67.914	56.780
Account management fees	57.027	46.429
Expertise fees	9.944	11.979
Other	187.645	148.055
<b>Total</b>	<b>3.161.149</b>	<b>1.921.626</b>

<b>Other Fees and Commissions Paid</b>	<b>Current Period</b>	<b>Prior Period</b>
Credit card / POS commissions	765.825	450.842
EFT fees and commissions	13.833	11.538
Other	259.939	146.441
<b>Total</b>	<b>1.039.597</b>	<b>608.821</b>

**V. Explanations and disclosures related to DFS Group's risk group**

**a. Information on loans and other receivables to DFS Group's risk group**

**Current Period**

DFS Group's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans</b>						
Balance at the Beginning of the Period	13.631	30.404	11.790	1.677	34	--
Balance at the End of the Period	113	39.582	--	3.065	318.300	--
Interest and Commission Income Received	198	133	490	1	12	--

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

**Prior Period**

DFS Group's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans</b>						
Balance at the Beginning of the Period	13.587	130.539	9.439	4.655	19.046	--
Balance at the End of the Period	13.631	30.404	11.790	1.677	34	--
Interest and Commission Income Received	476	138	278	3	4	--

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

**b. Information on deposits held by and funds borrowed from DFS Group's risk group**

DFS Group's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder (**)		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Balance at the Beginning of the Period	137.535	60.929	11.965.213	8.811.959	16.720	18.991
Balance at the End of the Period	89.008	137.535	8.760.059	11.965.213	48.422	16.720
Interest and Commission Expense Paid	11.684	8.166	446.582	400.667	1.665	1.730

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

(\*\*) Includes the subordinated loan of US Dollar 1.050 million and Euro 115 million received from ENBD.

**c. Information on forward and option agreements and similar agreements made with DFS Group's risk group**

DFS Group's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Transactions for Trading Purposes:</b>						
Balance at the Beginning of the Period	--	--	--	51.000	--	--
Balance at the End of the Period	--	--	--	--	--	--
Total Income/(Loss)	--	--	(4.214)	575	--	--
<b>Transactions for Hedging Purposes:</b>						
Balance at the Beginning of the Period	--	--	--	--	--	--
Balance at the End of the Period	--	--	--	--	--	--
Total Income/(Loss)	--	--	--	--	--	--

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

**d. Information on benefit provided to top management**

DFS Group made payment amounting to TL 44.687 (30 September 2018: TL 41.748) to its top management as of 30 September 2019.

**e. Information on transactions with DFS Group's risk group**

As of 30 September 2019, cash loans and other receivables of the risk group represent 0,23% of DFS Group's total cash loans and bank deposits granted the deposits and borrowings represent 5,22% of DFS Group's total deposits and borrowings. Non-cash loans granted to risk group companies represent 0,13% of the total balance.

The risk group, which DFS Group belongs to, has finance and operation lease contracts with Deniz Leasing. The Parent Bank gives brokerage services through its branches for Deniz Yatırım. As part of the consolidation adjustments, these balances and transactions have been eliminated from the accompanying financial statements.

**VI. Subsequent Events**

None.

## **SECTION SIX**

### **INDEPENDENT AUDITOR’S REVIEW REPORT**

#### **I. Matters to be disclosed related to Independent Auditor’s Review Report**

Consolidated financial statements and notes of the Bank are subject to independent review by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and audit report dated 25 October 2019 is presented preceding the consolidated financial statements.

#### **II. Explanations and notes prepared by Independent Auditor**

There exist no explanations or notes, deemed to be required, and no significant issues which are not mentioned above and related to activities of the Bank.

## **SECTION SEVEN**

### **INTERIM ACTIVITY REPORT**

(\*) Amounts are expressed in TL in Section Seven.

#### **Message From the Chairman**

Following the completion of the sale and purchase of 99.85% of the shares in Denizbank A.Ş. by ENBD, the Group is well-positioned to enhance its position within the MENAT banking sector.

Turkey, with its rapidly-growing economy at the crossroads of East and West, offers a significant growth opportunity for ENBD. Turkey and the UAE share deep-rooted trade and investment links, with the UAE being among Turkey's biggest export markets and Turkey, one of the UAE's top 10 trade partners. ENBD's strong presence in the MENA combined with Denizbank's successful franchise in Turkey presents ENBD a unique competitive advantage in the MENAT region, making it the natural choice for businesses engaged in cross-border trade and economic activity.

Denizbank has established a reputation as a trusted banking partner in the SME and agricultural sectors, supported by innovative banking solutions and an extensive branch network, a solid financial profile and a strong and experienced management team. Over the years, the Bank has demonstrated stability and financial growth even during challenging times to emerge as one of the leading Turkish banking groups. We are confident that the ENBD relationship will unlock numerous benefits for customers, investors and stakeholders across all our markets. Denizbank will continue to grow and develop under the existing brand with the full support of ENBD.

We look forward to working together to leverage our shared expertise, resources, and human capital. Together, we will build a banking powerhouse that will lead the MENAT region in innovation and service delivery, while ensuring that our customers remain at the heart of our journey.

#### **Message From The President and CEO**

The most important development for Denizbank within the first nine months of 2019 was definitely our transition to a new phase with ENBD. The share transfer process from Sberbank, the biggest and most long-established bank of Russia, to ENBD, again one of the most significant institutions in the region, was completed on 31 July 2019 following the approvals obtained from the regulatory bodies of Turkey, Russia, United Arab Emirates, Austria and other countries of interest.

In a business cycle where the economic fluctuations are felt in the world and in our country and where we do not see frequently billion dollar transactions around the world; following this investment which is of a great importance for our country, we carry on our path under the same brand, DenizBank, and our senior management team with 100% agreement of ENBD, as always happened in all shareholder changes.

During this transition period which almost took for two years, our Bank continued its activities successfully without any interruption; in the first nine months of 2019, we maintained our prudent growth in assets, loans and deposits. Within the first 9 months of 2019, our asset size on consolidated basis is TL 206,5 billion and on unconsolidated basis TL 148,3 billion. Our customer deposit size has reached TL 149.9 billion and TL 91,8 billion on consolidated and unconsolidated basis, respectively. Our branch network of 752 branches in total, 81 of them operating within Turkey and 43 subsidiary branches operating abroad, and our customer base which has grown by 8,4% have been the key factors behind this increase.

In the first 9 months of 2019, our Bank continued to transfer the resources it collected to the economy, increasing its consolidated cash loans up to TL 137,5 billion, its unconsolidated cash loans up to TL 91,8 billion, and total consolidated cash and non-cash loans up to TL 170,0 billion.

Our equity, on consolidated and unconsolidated basis, increased to TL 17,2 billion and our equity including subordinated loans, on consolidated and unconsolidated basis, reached up to TL 23,9 billion.

Within the first 9 months of 2019, our consolidated net profit reached TL 1.006 million while it was TL 1.017 million on unconsolidated basis.

With this financial performance, our business lines continued their operations within the related period without any slow-down. Through Nefes Projects in which we have been involved as the only private bank in recent years, we continued to support the SMEs that are the life-blood of the economy with the new projects we launched within 2019. The last project we were involved in for supporting our SMEs was the Economic Value Project, which was accompanied with our cooperation with the unions, chambers and cooperatives operating for supporting SMEs throughout Turkey.

We increased the number of our branches within the country, especially in the Anatolia region, and meanwhile we put the strategy we call “phigital” in the heart of our operations to integrate all the points where we reach our customers through both physical and digital channels. Within this scope, we have signed important partnerships and campaigns with fastPay, which we developed as the first digital wallet that all bank users can benefit from. Thanks to Cash-free Stadium campaign with Galatasaray Sports Club, cost-free top-up campaign for Istanbulkart with Belbim, and many other cooperation with various brands, merchants and electricity distribution companies throughout Turkey, we contributed significantly to financial inclusion vision in Turkey.

We have left behind 9 months in which we have received awards in return for our outstanding efforts in digital world. In the Smarties 2019 Award Ceremony organized by MMA (Mobile Marketing Association) where innovation, creativity and success is rewarded in the mobile marketing, we gathered 5 awards in total both in Turkey and EMEA with our fastPay/Istanbulkart campaign. Moreover, our Bank ranked the 15th in the ‘Most Valuable Brands of Turkey’ Survey published by the Brand Finance and stood out as one of two financial institutions, which had increased its brand value compared to the previous year.

With TL 13 billion funding offered to more than 1,3 million producers and 44% market share in agriculture, which is taken for as a national concern in our Bank, we still maintain the leading position among private banks and continue to support agriculture with a service model always considering the needs of the sector. The Denizden Topraga (From Sea to Soil) application we developed to increase the technology-oriented profitability served well to more than 165 thousand farmers as their wise advisor in the field. Thus, by providing farmers with the opportunity to monitor their production fields with satellite view, we have strengthened our leadership role in the digital transformation of agriculture.

As Denizbank, we aim to create a social value by supporting education, culture, arts and sports, besides our financial activities. In 2019, our Bank, which has been supporting the development and popularization of sports in Turkey through various channels for long years, became the Global Sponsor of the Euroleague Basketball, which is the most prestigious organization of European basketball at clubs level, and with DenizBank Children’s Opera, which is a first in opera world and launched for supporting the involvement of children in the social and cultural life, we continued our support in the fields of arts and sports.

#### **Changes in DFSG Companies**

The changes in Denizbank Financial Services Group Companies are as follows:

On 22 May 2018, ENBD and Sberbank announced that they have entered into a definitive agreement whereby Sberbank will sell its entire 99,85% stake in Denizbank to ENBD. On 2 April 2019, ENBD and Sberbank signed "Restated SPA" (the SPA with revised terms) and on the total consideration of 99,85% of the shares in Denizbank, agreed at 15,48 billion TL based on the consolidated equity capital of Denizbank amounting to 15,51 billion TL as at 31 December 2018. Regarding the share transfer transaction, all the approvals of the regulatory authorities in Turkey, Russia and the United Arab Emirates Denizbank in which operates with other countries were obtained and the share transfer transaction was determined on 31 July 2019. As of this date, Sberbank’s shareholding in Denizbank has ended.

#### **Amendments to Articles of Association**

There is no amendment to Articles of Association.

#### **Amendments to Rating Notes**

The amendments to Ratings of Denizbank assigned by Fitch Ratings and Moody’s in 2019 are below.

On 28 February 2019, International Rating Agency Fitch Ratings has affirmed long-term foreign and local currency IDR of Denizbank at “BB” with outlook as “Negative”. Fitch has affirmed Denizbank’s viability rating at “b+”, short-term local and foreign currency IDRs at “B”, support rating at “3” and National Long-Term rating at “AA (tur)” with a “Stable” outlook. Following the downgrade of Turkey’s sovereign rating from “BB” to “BB-” on 12 July 2019, on 19 July 2019 Fitch Ratings has downgraded Denizbank’s long-term foreign currency IDR from “BB-” to “B+”, long-term local currency from “BB” to “BB-” with “Negative” outlook and support rating from “3” to “4”. Fitch has affirmed Denizbank’s viability rating as “b+” and “short-term local and foreign currency IDRs at “B”.

International Credit Rating Agency Moody’s, following its review for downgrade of Turkey’s to “B1” from “Ba3” government bond rating on 14 June 2019, on 18 June 2019 Moody’s has downgraded long-term foreign and local currency deposit ratings of Denizbank to “B3/Negative Outlook” from “B2/Negative Outlook”, Baseline Credit Assessment (BCA) to “caa1” from “b3”, Adjusted Baseline Credit Assessment to “b3” from “b2”. Short-term foreign and local currency deposits ratings has been affirmed at NP.



Ratings are as follows:

<b>Moody's*</b>		<b>Fitch Ratings**</b>	
Outlook	<b>Negative</b>	Outlook	<b>Negative</b>
Long Term Foreign Currency Deposits	<b>B3</b>	Long Term Foreign Currency	<b>B+</b>
Short Term Foreign Currency Deposits	<b>Not Prime</b>	Short Term Foreign Currency	<b>B</b>
Long Term Local Currency Deposits	<b>B3</b>	Long Term Local Currency	<b>BB-</b>
Short Term Local Currency Deposits	<b>Not Prime</b>	Short Term Local Currency	<b>B</b>
Baseline Credit Assessment (BCA)	<b>caa1</b>	Viability	<b>b+</b>
		Support	<b>4</b>
		National	<b>AA (tur) (Stable)</b>
*As of 18.06.2019		**As of 19.07.2019	

## Financial Information

### a. General Outlook of the Banking Sector

Evaluation of the banking sector according to the September 2019 data\*:

-Loan volume (excluding financial sector loans)	TL 2.533 billion
TL Loan volume (excluding financial sector loans)	TL 1.552 billion
FX Loan volume (excluding financial sector loans)	USD 174 billion
-Deposit Volume (excluding interbank deposits)	TL 2.380 billion
TL Deposit Volume (excluding interbank deposits)	TL 1.144 billion
FX Deposit Volume (excluding interbank deposits)	USD 219 billion

In the first nine months of 2019 the total loan volume of the banking sector reached TL 2.533 billion. SME, corporate and commercial loans became the segments with priority impact on total loan increase. Total consumer loans reached TL 422 billion, while total credit card loans was TL 149 billion. While SME became the most effective segment on the loan growth. SME loans reached TL 610 billion in the first eight months. While completing the year of 2018 at level of 3,8% the total NPL ratio realized as 4,9% as at September 2019.

Total deposits reached TL 2.380 billion as at September 2019. The sector's total equity rose TL456 billion at the end of the first eight months.

The net profit of the banking sector in the first eight months was realized as TL 32.8 billion.

\* Banking sector data are extracts from the BRSA weekly & monthly bulletin including participation bank figures.

**DENİZBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 30 SEPTEMBER 2019**  
(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of  
Consolidated Financial Report  
Originally Issued in Turkish,  
See Note 3.1.c*

**b. Summary Financial Highlights**

**Summary Consolidated Financial Highlights (TL millions)**

<b>Balance Sheet</b>	<b>30/09/2019</b>	<b>31/12/2018</b>
Securities <sup>(1)</sup>	22.506	14.667
Net Loans	137.093	138.732
Cash and Cash Equivalents	37.254	34.755
Total Assets	206.512	197.311
Customer Deposits <sup>(2)</sup>	149.940	137.264
Time	115.480	107.075
Demand	34.460	30.188
Borrowings <sup>(3)</sup>	11.474	17.778
Securities Issued <sup>(4)</sup>	5.087	3.988
Sub-ordinated Loans	6.670	6.274
Shareholders' Equity	17.246	15.505
Paid-in Capital	3.316	3.316
Non-cash Loans	32.558	33.678
<b>Income Statements</b>	<b>30/09/2019</b>	<b>30/09/2018</b>
Interest Income	15.023	12.531
Interest Expense	(9.168)	(7.401)
Net Interest Income after Provisions	2.083	3.044
Non-interest Income	3.389	2.410
Non-interest Expense	(4.205)	(3.422)
Tax Expense	(261)	(324)
Net Income	1.006	1.708
<b>Other Highlights</b>	<b>30/09/2019</b>	<b>31/12/2018</b>
Number of Branches <sup>(5)</sup>	752	754
Number of Employees	14.501	13.822
Number of ATMs <sup>(6)</sup>	2.845	2.917
Number of POS Terminals	130.919	126.063
Number of Credit Cards	4.724.572	4.431.557

<sup>(1)</sup> It is the sum of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

<sup>(2)</sup> Excludes bank deposits.

<sup>(3)</sup> Includes money markets' debt.

<sup>(4)</sup> Securities issued by Special Purpose Entity DFS Funding Corp. are reported under Securities Issued

<sup>(5)</sup> Includes subsidiaries' branches

<sup>(6)</sup> PTT ATMs are excluded.

**c. Assessment of Financial Position and Risk Management**

	<b>Consolidated</b>	
<b>(TL millions)</b>	<b>30/09/2019</b>	<b>31/12/2018</b>
Capital Adequacy Ratio (%)	14,83	14,93
Shareholders' Equity	17.246	15.505
Return on Average Equity (%)	8,19	15,41
Non-performing Loans/ Total Cash Loans Ratio (%)	6,46	4,55