CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND
AUDITOR REPORT
ORIGINALLY ISSUED IN TURKISH

TÜRK EKONOMİ BANKASI A.Ş.

PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS AND DISCLOSURES FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2019 WITH INDEPENDENT AUDITOR'S REPORT

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Türk Ekonomi Bankası AŞ.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Türk Ekonomi Bankası AŞ (the "Bank"), which comprise the balance sheet as at 31 December 2019, and the statement of income, statement of income and expense items accounted for under shareholders' equity, statement of changes in shareholders' equity and statement of cash flows for the year then ended and, notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No.26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by BRSA and provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

2) Basis for Opinion

We conducted our audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Impairment of loans in accordance with TFRS 9 Impairment of loans is a key area of judgment for the management. The Bank has the total loans and receivables amounting to TL 69,218,035 thousands, which comprise 64% of the Bank's total assets in its unconsolidated financial statements and the total provision for impairment amounting to TL 3,640,892 as at 31 December 2019. As of 1 January 2018, the Bank has started to recognize provisions for impairment in accordance with the TFRS 9 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. In this respect, the method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Note VIII of Explanation on Accounting Policies has been changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions. The Bank exercises significant decisions using judgment, interpretation and assumptions over calculating loan impairments. These judgments, interpretations and assumptions are key in the development of the financial models built to measure the expected credit losses on loans. There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of the TFRS 9. Failure in determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans is considered as a key audit matter. Related explanations relating to the impairment of loans and receivables are presented in Section 5 Note I.6.	As part of our audit work, the following procedures were performed: We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Bank with respect to classification of loans and determination and calculation of impairments. Our information system experts have also participated to perform these procedures. We have assessed and analysed the relevant contract terms to assess management's accounting policy and classification of the instrument for selected samples. We have performed loan review procedures on selected samples of loans and receivables with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation. We have tested relevant inputs and assumption used by the management in each stage of the expected credit loss calculation by considering whether the inputs and assumptions appear reasonable, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and collections, and whether the asumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates. We have tested historical loss data to validate the completeness and accuracy of key parameters. We have tested whether the model is applied to appropriate groupings of assets which share credit risk characteristics and whether the historical loss rates were incurred under economic conditions representative of those that may exist during the assets' exposure periods.

Key Audit Matters	How the matter was addressed in the audit
	We tested the application of the model to the relevant inputs and the mathematical integrity of each stage of the expected credit loss calculation. Based on our discussions with the Bank management, we evaluated whether the key assumptions and other judgements underlying the estimations of impairments were reasonable. We assessed expected credit losses determined based on individual assessment per Bank's policy by means of supporting data, and evaluated appropriateness via communications with management. Our specialists are involved in all procedures related to models and assumptions. We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Bank with respect to loans and receivables and related impairment provisions.
Pension Fund Obligations Defined benefit pension plan that the Bank provides to its employees is managed by Fortis Bank AŞ Mensupları Emekli Sandığı ("Plan") which is established by the 20th provisional article of the Social Security Law numbered 506 (the "Law"). As disclosed in the Section III Note XVII to the unconsolidated financial statements, the Plan is composed of benefits which are subject to transfer to the Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the funds and the institutions that employ the funds' members will cover the non-transferable social rights and pension benefits provided under the Plan even if it is included in foundation voucher. As of 31 December 2019, the Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by the Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. The valuation of the	Our audit work included the following procedures: We involved external experts (actuary) in our audit team to evaluate the assumptions used in the calculation of the pension obligations and the appropriateness of the estimates. It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used. In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank's actuary. We have assessed whether there is a significant change in the actuarial assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable.

Key Audit Matters	How the matter was addressed in the audit
Plan liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in the Plan. Management uses expert opinion of the independent actuary in assessing uncertainties related to these underlying assumptions and estimates. As described in Section V Note II.8.c2 considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the Law, we considered this as a key audit matter.	
Information Technologies Audit The Bank and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Bank and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Bank means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk based scoping.	Procedures within the context of our information technology audit work: • We identified and tested the Banks' controls over information systems as part of our audit procedures. • Information generation comprise all layers of information systems (including applications, networks, transmission systems and database). The information systems controls tested are categorized in the following areas: • Security management • Change management • Operations management • We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner. • We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation.

Key Audit Matters	How the matter was addressed in the audit
	• Automated controls and integration controls are tested to underly and detect changes and accesses in the process of financial data generation. • We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports as inputs to our controls and outputs generated by the IT components. • Finally, we understood and tested the controls over database, network, application and operating system layers of applications.

4) Other Matter

The unconsolidated financial statements of the Bank for the year ended 31 December 2018 was audited by another auditor who expressed an unqualified opinion on 6 February 2019.

5) Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the BRSA Accounting and Reporting Regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.

6) Auditor’s Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulation on “Independent Auditing of Banks” published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Other Responsibilities Arising From Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January - 31 December 2019 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Yaman Polat.

Additional Paragraph for English Translation

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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

Yaman Polat, SMMM
Partner

İstanbul, 5 February 2020

Convenience Translation of
Publicly Announced Unconsolidated Financial Statements and Audit Report
Originally Issued in Turkish, See in Note I. of Section Three

UNCONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019

Address	: Saray Mahallesi Sokullu Caddesi No: 7/A – 7/B Ümraniye 34768 - İstanbul
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The unconsolidated financial report for the year-end prepared in accordance with "Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced" as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below:

- General Information about the Bank
- Unconsolidated Financial Statements of the Bank
- Explanations on the Accounting Policies Applied in the Related Period
- Information on Financial Structure and Risk Management of the Bank
- Disclosures and Footnotes on Unconsolidated Financial Statements
- Other Explanations
- Independent Auditor's Report

The accompanying audited unconsolidated financial statements, related disclosures and footnotes which are presented in this report are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidances, and incompliance with the financial records of our Bank, and unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

Yavuz Canevi	Nicolas de Baudinet de Courcelles	Ayşe Aşardağ	Ümit Leblebici	M. Aşkın Dolaştır	Gökhan Kazcılar
Chairman of the Board of the Directors	Chairman of the Audit Committee	Vice Chairman of the Audit Committee	Chief Executive Officer	Assistant General Manager Responsible of Financial Reporting	Director Responsible of Financial Reporting

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

Name-Surname/Title : Aslıhan Kaya / External Reporting Senior Manager
Telephone Number : (0216) 635 24 51
Fax Number : (0216) 636 36 36

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

As of 31 December 2019, the Bank's paid-in-capital consists of 2,204,390,000 shares of TL1.00 (full TL) nominal each.

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

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

(*) Group Heads and Head of Internal Audit are in Assistant General Manager status.

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

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

IV. Information on the Bank's Qualified Shareholders

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

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

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

The Bank's operating areas include, corporate, commercial, SME, retail and private banking as well as project finance and custody operations. Besides the ordinary banking operations, the Bank is handling agency functions through its branches on behalf of TEB Portföy Yönetimi A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş. As of 31 December 2019, the Bank has 467 local branches and 4 foreign branches (31 December 2018: 499 local branches, 4 foreign branches). As of 31 December 2019, the number of employees of the Bank is 8,954 (31 December 2018: 9,487).

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

There is no difference for the Bank between the consolidation process according to the Turkish Accounting Standards and the Communiqué of the Preparation of Financial Statements of Banks in Turkey.

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

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	ASSETS			Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018	
		Section 5 Note	TL	FC	Total	TL	FC	Total
I.	FINANCIAL ASSETS (Net)		8,076,181	22,007,009	30,083,190	9,317,685	17,555,748	26,873,433
1.1	Cash and Cash Equivalents		2,626,642	18,709,959	21,336,601	3,121,543	16,730,683	19,852,226
1.1.1	Cash and Balances with Central Bank	(I-1)	716,053	11,239,917	11,955,970	1,958,549	13,702,503	15,661,052
1.1.2	Banks	(I-4)	1,071,174	7,480,991	8,552,165	883,031	3,035,405	3,918,436
1.1.3	Money Markets		840,263	-	840,263	281,696	-	281,696
1.1.4	Expected Loss Provision (-)		848	10,949	11,797	1,733	7,225	8,958
1.2	Financial Assets at Fair Value Through Profit or Loss		426,084	869,339	1,295,423	427,287	189,287	616,574
1.2.1	Government Debt Securities	(I-2)	385,317	782,677	1,167,994	391,248	136,646	527,894
1.2.2	Equity Securities		40,767	84,258	125,025	36,039	52,641	88,680
1.2.3	Other Financial Assets		-	2,404	2,404	-	-	-
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	(I-5)	3,323,142	2,216,475	5,539,617	2,865,819	425,538	3,291,357
1.3.1	Government Debt Securities		3,315,247	2,216,475	5,531,722	2,860,209	425,538	3,285,747
1.3.2	Equity Securities		7,895	-	7,895	5,610	-	5,610
1.3.3	Other Financial Assets		-	-	-	-	-	-
1.4	Derivative Financial Assets		1,700,313	211,236	1,911,549	2,903,036	210,240	3,113,276
1.4.1	Derivative Financial Assets at Fair Value Through Profit and Loss	(I-3)	1,473,795	196,247	1,670,042	2,400,557	210,240	2,610,797
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Incom	(I-12)	226,518	14,989	241,507	502,479	-	502,479
II.	FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)		57,002,218	13,480,439	70,482,657	53,136,021	13,654,882	66,790,903
2.1	Loans	(I-6)	56,725,319	12,492,716	69,218,035	52,890,819	13,957,788	66,848,607
2.2	Lease Receivables	(I-11)	-	-	-	-	-	-
2.3	Factoring Receivables		-	-	-	-	-	-
2.4	Other Financial Assets Measured at Amortized Cost	(I-7)	3,549,987	1,356,631	4,906,618	2,792,080	-	2,792,080
2.4.1	Government Debt Securities		3,549,987	1,356,631	4,906,618	2,792,080	-	2,792,080
2.4.2	Other Financial Assets		-	-	-	-	-	-
2.5	Expected Credit Loss (-)	(I-6)	3,273,088	368,908	3,641,996	2,546,878	302,906	2,849,784
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)		131,362	-	131,362	109,104	-	109,104
3.1	Held for Sale Purpose	(I-17)	131,362	-	131,362	109,104	-	109,104
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	EQUITY INVESTMENTS		115,991	-	115,991	115,991	-	115,991
4.1	Investments in Associates (Net)	(I-8)	-	-	-	-	-	-
4.1.1	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		-	-	-	-	-	-
4.2	Subsidiaries (Net)	(I-9)	115,986	-	115,986	115,986	-	115,986
4.2.1	Unconsolidated Financial Subsidiaries		115,986	-	115,986	115,986	-	115,986
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3	Joint Ventures (Net)	(I-10)	5	-	5	5	-	5
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		5	-	5	5	-	5
V.	PROPERTY AND EQUIPMENT (Net)	(I-13)	877,782	-	877,782	292,290	-	292,290
VI.	INTANGIBLE ASSETS(Net)	(I-14)	555,886	-	555,886	528,440	-	528,440
6.1	Goodwill		421,124	-	421,124	421,124	-	421,124
6.2	Other		134,762	-	134,762	107,316	-	107,316
VII.	INVESTMENT PROPERTIES(Net)	(I-15)	-	-	-	-	-	-
VIII.	CURRENT TAX ASSET		10,958	-	10,958	1,358	-	1,358
IX.	DEFERRED TAX ASSET	(I-16)	650,094	-	650,094	187,325	-	187,325
X.	OTHER ASSETS(Net)	(I-18)	2,345,923	2,096,325	4,442,248	1,770,822	327,498	2,098,320
	TOTAL ASSETS		69,766,395	37,583,773	107,350,168	65,459,036	31,538,128	96,997,164

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	LIABILITIES			Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018	
		Section 5 Note	TL	FC	Total	TL	FC	Total
I.	**DEPOSITS**	**(II-1)**	**34,476,076**	**37,718,252**	**72,194,328**	**37,110,317**	**27,106,849**	**64,217,166**
II.	**FUNDS BORROWED**	**(II-3)**	**307,801**	**8,269,181**	**8,576,982**	**243,558**	**11,522,605**	**11,766,163**
III.	**MONEY MARKET FUNDS**	**(II-4)**	**1,317,498**	**327,167**	**1,644,665**	**62,543**	**-**	**62,543**
IV.	**SECURITIES ISSUED (Net)**	**(II-3)**	**2,333,877**	**-**	**2,333,877**	**526,592**	**-**	**526,592**
4.1	Bills		2,333,877	-	2,333,877	526,592	-	526,592
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	-	-	-	-	-
V.	**FUNDS**		-	-	-	-	-	-
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS**		**-**	**-**	**-**	**-**	**-**	**-**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**3,404,041**	**107,517**	**3,511,558**	**2,682,982**	**81,961**	**2,764,943**
7.1	Derivative Financial Liabilities at Fair Value Through Profit and Loss	(II-2)	1,486,334	100,250	1,586,584	2,298,657	77,104	2,375,761
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-7)	1,917,707	7,267	1,924,974	384,325	4,857	389,182
VIII.	**FACTORING LIABILITIES**		-	-	-	-	-	-
IX.	**LEASE LIABILITIES (Net)**	**(II-6)**	**614,030**	**39,677**	**653,707**	**-**	**-**	**-**
X.	**PROVISIONS**	**(II-8)**	**657,461**	**168,521**	**825,982**	**557,825**	**102,307**	**660,132**
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		352,885	22,713	375,598	311,811	17,335	329,146
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		304,576	145,808	450,384	246,014	84,972	330,986
XI.	**CURRENT TAX LIABILITY**	**(II-9)**	**213,516**	**-**	**213,516**	**291,338**	**-**	**291,338**
XII.	**DEFERRED TAX LIABILITY**		**-**	**-**	**-**	**-**	**-**	**-**
XIII.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	**(I-10)**	**-**	**-**	**-**	**-**	**-**	**-**
13.1	Held For Sale		-	-	-	-	-	-
13.2	Held From Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**	**(I-11)**	**-**	**3,190,503**	**3,190,503**	**-**	**2,843,148**	**2,843,148**
14.1	Loans		-	-	-	-	-	-
14.2	Other Debt Instruments		-	3,190,503	3,190,503	-	2,843,148	2,843,148
XV.	**OTHER LIABILITIES**		**4,029,751**	**454,725**	**4,484,476**	**3,423,548**	**703,083**	**4,126,631**
XVI.	**SHAREHOLDERS’ EQUITY**	**(II-12)**	**9,705,323**	**15,251**	**9,720,574**	**9,751,981**	**(13,473)**	**9,738,508**
16.1	Paid-in Capital		2,204,390	-	2,204,390	2,204,390	-	2,204,390
16.2	Capital Reserves		390,297	-	390,297	486,644	-	486,644
16.2.1	Share Premiums		2,565	-	2,565	2,565	-	2,565
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		387,732	-	387,732	484,079	-	484,079
16.3	Other Accumulated Comprehensive Income or Expense that will not be Reclassified at Profit and Loss		312,187	-	312,187	300,620	-	300,620
16.4	Other Accumulated Comprehensive Income or Expense that will be Reclassified at Profit and Loss		(884,581)	15,251	(869,330)	147,651	(13,473)	134,178
16.5	Profit Reserves		6,603,179	-	6,603,179	5,601,476	-	5,601,476
16.5.1	Legal Reserves		398,568	-	398,568	348,483	-	348,483
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		6,194,919	-	6,194,919	5,143,756	-	5,143,756
16.5.4	Other Profit Reserves		9,692	-	9,692	109,237	-	109,237
16.6	Profit or Loss		1,079,851	-	1,079,851	1,011,200	-	1,011,200
16.6.1	Prior Periods’ Profit / Loss		9,497	-	9,497	9,497	-	9,497
16.6.2	Current Periods’ Profit / Loss		1,070,354	-	1,070,354	1,001,703	-	1,001,703
16.7	Minority Shares		-	-	-	-	-	-
	TOTAL LIABILITIES		**57,059,374**	**50,290,794**	**107,350,168**	**54,650,684**	**42,346,480**	**96,997,164**

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

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

II. STATEMENT OF OFF-BALANCE SHEET ITEMS

			Audited Current Period 31.12.2019			Audited Prior Period 31.12.2018		
		Section 5 Note	TL	FC	Total	TL	FC	Total
A.	**OFF BALANCE SHEET COMMITMENTS (I+II+III)**		**67,739,091**	**87,362,056**	**155,101,147**	**70,059,711**	**79,277,598**	**149,337,309**
I.	**GUARANTEES AND WARRANTIES**	**(III-1)**	**9,130,519**	**13,244,967**	**22,375,486**	**9,302,313**	**13,368,187**	**22,670,500**
1.1	Letters of Guarantee		6,481,105	7,071,936	13,553,041	6,884,185	7,188,291	14,072,476
1.1.1	Guarantees Subject to State Tender Law		93,314	79,406	172,720	123,696	83,710	207,406
1.1.2	Guarantees Given for Foreign Trade Operations		319,439	417,745	737,184	412,617	489,797	902,414
1.1.3	Other Letters of Guarantee		6,068,352	6,574,785	12,643,137	6,347,872	6,614,784	12,962,656
1.2	Bank Acceptances		-	12,915	12,915	-	34,672	34,672
1.2.1	Import Letter of Acceptance		-	12,915	12,915	-	34,672	34,672
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		260	2,623,591	2,623,851	2,738	2,689,073	2,691,811
1.3.1	Documentary Letters of Credit		-	1,119,305	1,119,305	400	1,355,735	1,356,135
1.3.2	Other Letters of Credit		260	1,504,286	1,504,546	2,338	1,333,338	1,335,676
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		2,649,033	2,382,926	5,031,959	2,414,187	2,423,901	4,838,088
1.9	Other Collaterals		121	1,153,599	1,153,720	1,203	1,032,250	1,033,453
II.	**COMMITMENTS**	**(III-1)**	**16,821,291**	**3,460,708**	**20,281,999**	**13,163,298**	**2,913,113**	**16,076,411**
2.1	Irrevocable Commitments		16,821,291	3,460,708	20,281,999	13,163,298	2,913,113	16,076,411
2.1.1	Asset Purchase Commitments		1,406,402	2,278,420	3,684,822	1,082,628	2,046,312	3,128,940
2.1.2	Deposit Purchase and Sale Commitments		-	759,924	759,924	-	603,610	603,610
2.1.3	Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		5,059,676	174,696	5,234,372	4,243,982	158,227	4,402,209
2.1.5	Securities Issuance Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheque Payments		1,769,641	-	1,769,641	1,681,617	-	1,681,617
2.1.8	Tax and Fund Liabilities from Export Commitments		71,566	-	71,566	54,955	-	54,955
2.1.9	Commitments for Credit Card Limits		8,506,931	-	8,506,931	6,093,650	-	6,093,650
2.1.10	Commitments for Credit Cards and Banking Services Promotions		4,975	-	4,975	4,357	-	4,357
2.1.11	Receivables from Short Sale Commitments on Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments on Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		2,100	247,668	249,768	2,109	104,964	107,073
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(III-2)**	**41,787,281**	**70,656,381**	**112,443,662**	**47,594,100**	**62,996,298**	**110,590,398**
3.1	Derivative Financial Instruments for Hedging Purposes		16,303,838	9,650,297	25,954,135	17,040,694	7,618,300	24,658,994
3.1.1	Fair Value Hedge		-	1,740,184	1,740,184	-	-	-
3.1.2	Cash Flow Hedge		16,303,838	7,910,113	24,213,951	17,040,694	7,618,300	24,658,994
3.1.3	Foreign Net Investment Hedges		-	-	-	-	-	-
3.2	Held for Trading Transactions		25,483,443	61,006,084	86,489,527	30,553,406	55,377,998	85,931,404
3.2.1	Forward Foreign Currency Buy/Sell Transactions		3,905,504	6,836,778	10,742,282	4,332,308	7,661,498	11,993,806
3.2.1.1	Forward Foreign Currency Transactions-Buy		2,186,296	3,210,603	5,396,899	2,332,275	3,784,324	6,116,599
3.2.1.2	Forward Foreign Currency Transactions-Sell		1,719,208	3,626,175	5,345,383	2,000,033	3,877,174	5,877,207
3.2.2.	Swap Transactions Related to Foreign Currency and Interest Rates		18,588,736	48,542,952	67,131,688	21,043,153	40,077,130	61,120,283
3.2.2.1	Foreign Currency Swap-Buy		4,003,482	25,326,796	29,330,278	6,449,446	22,606,834	29,056,280
3.2.2.2	Foreign Currency Swap-Sell		12,453,254	16,946,840	29,400,094	14,283,707	14,681,284	28,964,991
3.2.2.3	Interest Rate Swaps-buy		1,066,000	3,134,658	4,200,658	155,000	1,394,506	1,549,506
3.2.2.4	Interest Rate Swaps-Sell		1,066,000	3,134,658	4,200,658	155,000	1,394,506	1,549,506
3.2.3	Foreign Currency, Interest Rate and Securities Options		2,952,821	5,548,060	8,500,881	5,177,945	7,497,597	12,675,542
3.2.3.1	Foreign Currency Options-Buy		1,726,935	2,562,617	4,289,552	2,295,403	4,065,930	6,361,333
3.2.3.2	Foreign Currency Options-Sell		1,225,886	2,985,443	4,211,329	2,882,542	3,431,667	6,314,209
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		36,362	35,164	71,526	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		36,362	-	36,362	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	35,164	35,164	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		20	43,130	43,150	-	141,773	141,773
B.	**CUSTODY AND PLEDGES RECEIVED (IV+V+VI)**		**155,126,352**	**34,382,041**	**189,508,393**	**159,485,118**	**37,355,867**	**196,840,985**
IV.	**ITEMS HELD IN CUSTODY**		**22,692,296**	**3,362,169**	**26,054,465**	**20,401,124**	**2,651,399**	**23,052,523**
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held In Custody		12,683,121	1,926,086	14,609,207	9,683,981	1,224,567	10,908,548
4.3	Cheques Received for Collection		9,224,197	917,651	10,141,848	9,855,135	906,310	10,761,445
4.4	Commercial Notes Received for Collection		501,378	129,625	631,003	515,021	149,903	664,924
4.5	Other assets Received for Collection		125	388,807	388,932	-	370,619	370,619
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items under Custody		283,475	-	283,475	346,987	-	346,987
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGES RECEIVED**		**127,978,988**	**30,359,974**	**158,338,962**	**133,414,971**	**33,470,037**	**166,885,008**
5.1	Marketable Securities		362,798	100,651	463,449	456,962	914,680	1,371,642
5.2	Guarantee Notes		48,526,817	20,196,846	68,723,663	51,361,896	20,618,260	71,980,156
5.3	Commodity		50,194	-	50,194	17,208	671,712	688,920
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		69,855,979	7,236,289	77,092,268	73,124,364	6,604,523	79,728,887
5.6	Other Pledged Items		9,183,200	2,826,188	12,009,388	8,454,541	4,660,862	13,115,403
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED BILL, GUARANTEES AND WARRANTIES**		**4,455,068**	**659,898**	**5,114,966**	**5,669,023**	**1,234,431**	**6,903,454**
	TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		**222,865,443**	**121,744,097**	**344,609,540**	**229,544,829**	**116,633,465**	**346,178,294**

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

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

III. STATEMENT OF PROFIT OR LOSS

	INCOME AND EXPENSE ITEMS	Section 5 Note	Audited Current Period 01.01.-31.12.2019	Audited Prior Period 01.01-31.12.2018
I.	**INTEREST INCOME**	**(IV-1)**	**12,421,958**	**11,268,525**
1.1	Interest Income on Loans		10,668,055	9,694,495
1.2	Interest Income on Reserve Requirements		108,777	134,151
1.3	Interest Income on Banks		234,267	224,764
1.4	Interest Income on Money Market Transactions		245,284	98,391
1.5	Interest Income on Securities Portfolio		1,131,686	1,111,821
1.5.1	Financial Assets at Fair Value Through Profit or Loss		187,881	166,934
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		330,963	509,157
1.5.3	Financial Assets Measured at Amortized Cost		612,842	435,730
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		33,889	4,903
II.	**INTEREST EXPENSE (-)**	**(IV-2)**	**6,922,720**	**7,062,436**
2.1	Interest Expense on Deposits		5,645,472	6,274,854
2.2	Interest Expense on Funds Borrowed		517,583	469,690
2.3	Interest Expense on Money Market Transactions		115,205	56,987
2.4	Interest Expense on Securities Issued		514,885	251,345
2.5	Interest Expense on Leases		104,031	-
2.5	Other Interest Expenses		25,544	9,560
III.	**NET INTEREST INCOME (I - II)**		**5,499,238**	**4,206,089**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**1,437,676**	**1,270,224**
4.1	Fees and Commissions Received		2,312,015	1,913,803
4.1.1	Non-cash Loans		285,265	227,286
4.1.2	Other	(IV-12)	2,026,750	1,686,517
4.2	Fees and Commissions Paid (-)		874,339	643,579
4.2.1	Non-cash Loans		4,971	3,223
4.2.2	Other	(IV-12)	869,368	640,356
V.	**DIVIDEND INCOME**	**(IV-3)**	**18,570**	**16,908**
VI.	**TRADING INCOME / LOSS (Net)**	**(IV-4)**	**(1,010,533)**	**(424,922)**
6.1	Securities Trading Gains / Losses		125,374	(178,628)
6.2	Gains / Losses on Derivative Financial Instruments		(911,169)	2,873,301
6.3	Foreign Exchange Gains / Losses		(224,738)	(3,119,595)
VII.	**OTHER OPERATING INCOME**	**(IV-5)**	**134,615**	**107,021**
VIII.	**GROSS OPERATING PROFIT (III+IV+V+VI+VII+VIII)**		**6,079,566**	**5,175,320**
IX.	**EXPECTED CREDIT LOSS (-)**	**(IV-6)**	**1,404,288**	**1,228,110**
X.	**OTHER PROVISION EXPENSES (-)**	**(IV-6)**	**89,173**	**19,644**
XI.	**PERSONNEL EXPENSE (-)**		**1,445,655**	**1,247,821**
XII.	**OTHER OPERATING EXPENSES (-)**	**(IV-7)**	**1,726,687**	**1,399,025**
XIII.	**NET OPERATING INCOME/LOSS (VIII-IX-X-XI-XII)**		**1,413,763**	**1,280,720**
XIV.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		-	-
XV.	**INCOME/LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		-	-
XVI.	**INCOME/LOSS ON NET MONETARY POSITION**		-	-
XVII.	**PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)**	**(IV-8)**	**1,413,763**	**1,280,720**
XVIII.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	**(IV-9)**	**(343,409)**	**(279,017)**
18.1	Current Tax Provision		(525,749)	(179,473)
18.2	Deferred Tax Income Effect(+)		(211,949)	(607,578)
18.3	Deferred Tax Expense Effect(-)		394,289	508,034
XIX.	**CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVII±XVIII)**	**(IV-10)**	**1,070,354**	**1,001,703**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-
20.1	Income from Non-current Assets Held for Sale		-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3	Income from Other Discontinued Operations		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-
21.1	Expenses from Non-current Assets Held for Sale		-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3	Expenses for Other Discontinued Operations		-	-
XXII.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)**	**(IV-8)**	-	-
XXIII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**	**(IV-9)**	-	-
23.1	Current Tax Provision		-	-
23.2	Deferred Tax Expense Effect(+)		-	-
23.3	Deferred Tax Income Effect(-)		-	-
XXIV.	**CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)**	**(IV-10)**	-	-
XXV.	**NET INCOME/LOSS (XIX+XXIV)**	**(IV-11)**	**1,070,354**	**1,001,703**
25.1	Group's Profit / Loss		1,070,354	1,001,703
25.2	Minority Interest Profit / Loss (-)		-	-
	Earnings per Share		0.4856	0.4544

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

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited Current Period 01.01 - 31.12.2019	**Audited Prior Period 01.01 - 31.12.2018**
I.	**CURRENT PERIOD INCOME/LOSS**	**1,070,354**	**1,001,703**
II.	**OTHER COMPREHENSIVE INCOME**	**(991,941)**	**5,934**
2.1	**Other Comprehensive Income that will not be Reclassified through Profit or Loss**	**11,567**	**(25,388)**
2.1.1	Gains (losses) on Revaluation of Property, Plant and Equipment	-	-
2.1.2	Gains (losses) on Revaluation of Intangible Assets	-	-
2.1.3	Gains (losses) on Remeasurements of Defined Benefit Plans	10,775	(32,831)
2.1.4	Other Components of Other Comprehensive Income that will not be Reclassified through Profit or Loss	3,061	877
2.1.5	Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified through Profit or Loss	(2,269)	6,566
2.2	**Other Comprehensive Income that will be Reclassified to Profit or Loss**	**(1,003,508)**	**31,322**
2.2.1	Exchange Differences on Translation	-	-
2.2.2	Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value Through Other Comprehensive Income	201,250	(135,494)
2.2.3	Income (loss) related with Cash Flow Hedges	(1,463,373)	175,504
2.2.4	Income (loss) related with Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Components of Other Comprehensive Income that will be Reclassified through Other Profit or Loss	-	-
2.2.6	Taxes Relating to Components of Other Comprehensive Income that will be Reclassified through Profit or Loss	258,615	(8,688)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**78,413**	**1,007,637**

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY					Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
	Audited	**Paid-in Capital**	**Share Premiums**	**Share Cancellation Profit**	**Other Capital Reserves**	**1**	**2**	**3**	**4**	**5**	**6**	**Profit Reserves**	**Prior Period Profit or (Loss)**	**Current Period Profit or (Loss)**	**Total Equity Except from Minority Shares**	**Minority Shares**	**Total Shareholders' Equity**
	Prior Period – 01.01-31.12.2018																
I.	**Prior Period End Balance**	**2,204,390**	**2,565**	**-**	**670,697**	**266,122**	**58,967**	**919**	**-**	**(31,549)**	**136,593**	**4,632,637**	**1,078,336**	**-**	**9,019,677**	**-**	**9,019,677**
II.	**Corrections According to TAS 8**	**-**	**-**	**-**	**(186,618)**	**-**	**-**	**-**	**-**	**(2,188)**	**-**	**-**	**-**	**-**	**(188,806)**	**-**	**(188,806)**
2.1	The Effect of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	The Effects of Changes in Accounting Policy	-	-	-	(186,618)	-	-	-	-	(2,188)	-	-	-	-	(188,806)	-	(188,806)
III.	**New Balance (I+II)**	**2,204,390**	**2,565**	**-**	**484,079**	**266,122**	**58,967**	**919**	**-**	**(33,737)**	**136,593**	**4,632,637**	**1,078,336**	**-**	**8,830,871**	**-**	**8,830,871**
IV.	**Total Comprehensive Income**	**-**	**-**	**-**	**-**	**-**	**(26,265)**	**877**	**-**	**(105,818)**	**137,140**	**-**	**-**	**1,001,703**	**1,007,637**	**-**	**1,007,637**
V.	**Capital Increase by Cash**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase by Internal Sources**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Paid-in Capital Inflation Adjustment Difference**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds to Shares**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Debt Instruments**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Increase/Decrease by Other Changes**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**	-	-	-	-	-	-	-	-	-	-	**968,839**	**(1,068,839)**	**-**	**(100,000)**	**-**	**(100,000)**
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(100,000)	-	(100,000)	-	(100,000)
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	968,839	(968,839)	-	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance 31.12.2018 (III+IV+V+VI+VII+VIII+IX+X+XI)	**2,204,390**	**2,565**	**-**	**484,079**	**266,122**	**32,702**	**1,796**	**-**	**(139,555)**	**273,733**	**5,601,476**	**9,497**	**1,001,703**	**9,738,508**	**-**	**9,738,508**
	Current Period – 01.01-31.12.2019																
I.	**Prior Period End Balance**	**2,204,390**	**2,565**	**-**	**484,079**	**266,122**	**32,702**	**1,796**	**-**	**(139,555)**	**273,733**	**5,601,476**	**1,011,200**	**-**	**9,738,508**	**-**	**9,738,508**
II.	**Corrections According to TAS 8**	**-**	**-**	**-**	**(96,347)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(96,347)**	**-**	**(96,347)**
2.1	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	(96,347)	-	-	-	-	-	-	-	-	-	(96,347)	-	(96,347)
III.	**Adjusted Beginning Balance (I+II)**	**2,204,390**	**2,565**	**-**	**387,732**	**266,122**	**32,702**	**1,796**	**-**	**(139,555)**	**273,733**	**5,601,476**	**1,011,200**	**-**	**9,642,161**	**-**	**9,642,161**
IV.	**Total Comprehensive Income**	**-**	**-**	**-**	**-**	**-**	**8,620**	**2,947**	**-**	**156,976**	**(1,160,484)**	**-**	**-**	**1,070,354**	**78,413**	**-**	**78,413**
V.	**Capital Increase by Cash**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase by Internal Sources**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Paid-in Capital Inflation Adjustment Difference**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds to Shares**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Debt Instruments**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Increase/Decrease by Other Changes**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**	-	-	-	-	-	-	-	-	-	-	**1,001,703**	**(1,001,703)**	**-**	**-**	**-**	**-**
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-			-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	1,001,703	(1,001,703)	-	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance 31.12.2019 (III+IV+V+VI+VII+VIII+IX+X+XI)	**2,204,390**	**2,565**	**-**	**387,732**	**266,122**	**41,322**	**4,743**	**-**	**17,421**	**(886,751)**	**6,603,179**	**9,497**	**1,070,354**	**9,720,574**	**-**	**9,720,574**

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

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

VI. STATEMENT OF CASH FLOWS

		Section 5 Note	Audited Current Period 01.01-31.12.2019	Audited Prior Period 01.01-31.12.2018
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**		**5,937,882**	**1,481,582**
1.1.1	Interest received		12,007,518	10,513,359
1.1.2	Interest paid		(7,194,011)	(6,817,413)
1.1.3	Dividend received		18,570	16,908
1.1.4	Fees and commissions received		2,281,887	1,935,673
1.1.5	Other income		2,327,241	3,005,337
1.1.6	Collections from previously written off loans		1,077,143	861,688
1.1.7	Payments to personnel and service suppliers		(1,427,250)	(1,232,546)
1.1.8	Taxes paid		(741,734)	(156,825)
1.1.9	Others	(VI-1)	(2,411,482)	(6,644,599)
1.2	**Changes in operating assets and liabilities**		**(369,676)**	**5,335,575**
1.2.1	Net (increase) in financial asset at fair value through profit or loss		(676,907)	(123,938)
1.2.2	Net increase/ decrease in due from banks and other financial institutions		-	-
1.2.3	Net (increase) in loans		(1,672,926)	(3,249,979)
1.2.4	Net (increase) in other assets		(261,210)	(56,907)
1.2.5	Net (decrease) in bank deposits		1,684,589	(46,891)
1.2.6	Net increase in other deposits		4,986,559	7,859,213
1.2.7	Net increase / decrease in financial asset at fair value through profit or loss		-	-
1.2.8	Net (decrease) in funds borrowed		(3,151,430)	(1,045,132)
1.2.9	Net increase / decrease in matured payables		-	-
1.2.10	Net increase in other liabilities	(VI-1)	(1,278,351)	1,999,209
I.	**Net cash provided from banking operations**		**5,568,206**	**6,817,157**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from investing activities**		**(4,425,930)**	**(639,033)**
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries (Joint Vent.)		-	-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries (Joint Vent.)		-	-
2.3	Cash paid for purchase of tangible assets		(277,408)	(99,748)
2.4	Cash obtained from sale of tangible assets		22,128	2,541
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income		(4,627,548)	(1,178,960)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income		2,281,659	987,425
2.7	Cash paid for purchase of financial assets measured at amortized cost		(1,726,438)	(573,615)
2.8	Cash obtained from sale of financial assets measured at amortized cost		-	291,885
2.9	Others	(VI-1)	(98,323)	(68,561)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from financing activities**		**1,677,170**	**(597,517)**
3.1	Cash obtained from funds borrowed and securities issued		15,002,839	6,654,809
3.2	Cash used for repayment of funds borrowed and securities issued		(13,101,686)	(7,152,326)
3.3	Equity instruments issued		-	-
3.4	Dividends paid		-	(100,000)
3.5	Payments for financial leases		(223,983)	-
3.6	Others		-	-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**	**(VI-1)**	**475,011**	**1,516,339**
V.	**Net increase in cash and cash equivalents**		**3,294,457**	**7,096,946**
VI.	**Cash and cash equivalents at beginning of the period**		**13,034,066**	**5,937,120**
VII.	**Cash and cash equivalents at end of the period**	**(VI-2)**	**16,328,523**	**13,034,066**

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

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

VII. STATEMENT OF PROFIT DISTRIBUTION

		Audited Current Period 31.12.2019	Audited Prior Period 31.12.2018(*)
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	CURRENT YEAR INCOME	1,413,763	1,280,720
1.2	TAXES AND DUTIES PAYABLE (-)	343,409	279,017
1.2.1	Corporate tax (Income tax)	525,749	179,473
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties (**)	(182,340)	99,544
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**1,070,354**	**1,001,703**
1.3	PRIOR YEARS' LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	50,085
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**1,070,354**	**1,001,703**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of preferred shares	-	-
1.6.3	To owners of preferred shares (preemptive rights)	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of preferred shares	-	-
1.9.3	To owners of preferred shares (preemptive rights)	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUTORY RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	951,618
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION OF RESERVE**	-	-
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of preferred shares	-	-
2.3.3	To owners of preferred shares (preemptive rights)	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF ORDINARY SHARES	0.4856	0.4544
3.2	TO OWNERS OF ORDINARY SHARES (%)	48.56	45.44
3.3	TO OWNERS OF PREFERRED SHARES	-	-
3.4	TO OWNERS OF PREFERRED SHARES (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PREFERRED SHARES	-	-
4.4	TO OWNERS OF PREFERRED SHARES (%)	-	-

(*) As of 31 December 2019 when the financial statements has been finalized, the General Assembly meeting has not been held.

(**) Other taxes and duties amount is deferred tax income (31 December 2018: Deferred tax expense).

SECTION THREE

ACCOUNTING PRINCIPLES

I. Basis of Presentation

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

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

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

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

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

Additional paragraph for convenience of translation into English:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank’s financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

New standards effective as of 1 January 2019

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

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

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

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

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

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

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

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

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

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

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

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

III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures

In accordance with TAS 27, investments in associates, subsidiaries and joint ventures are accounted with cost values and are reflected on the financial statements after deducting the provision for impairment, if any.

The dividends received from investments in associates, subsidiaries and joint ventures are reflected to income statements at the date of the right to receive dividend.

IV. Explanations on Forward and Option Contracts and Derivative Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

V. Explanations on Interest Income and Expenses

Interest income and expenses are recorded on accrual basis. As the interest income and expense is accrued, all tax liabilities are fulfilled.

Financial assets and liabilities for which the future cash payments and collections are known, are discounted by using effective interest rate.

Accrued interests and rediscounts of loans, which are not collected in cash, classified as non-performing (Stage 3) are not reversed and included in interest income.

V. Explanations on Interest Income and Expenses (continued)

The interest amount representing the time value of the future collections of the loans under follow up is recognized under interest income and provision is booked for total amount. The income effect arising from the discount of the estimates of expected collection as getting closer to the estimated date of collection, is recorded under interest income.

VI. Explanations on Fees and Commission Income and Expenses

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

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

All type of fees and commissions collected from customers regarding cash loans are deferred in "commissions on cash loans" account and are recognized as income over the period of the loan by discounting with effective interest rate.

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

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

VII. Explanations on Financial Assets

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

The Bank recognizes a financial asset in the financial statement when, and only when, the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the the date (settlement date) that the asset is delivered to or by the Bank. When the Bank first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management. In the current period, the securities portfolio of the Chief Investment Office were transferred to the Asset-Liability Management and Treasury Group due to the change in the business model of the Bank management. During this transition held in 2019, in the financial statements, securities held as "Financial Assets at Fair Value through Other Comprehensive Income" amounting to TL 291,603 were classified as "Financial Assets Measured at Amortized Cost". After this reclassification, the valuation difference amounting to TL 20,141 has been reversed from equity.

Financial Assets at Fair Value Through Profit or Loss

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

VII. Explanations on Financial Assets (continued)

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

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

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

Financial Assets Measured at Amortized Cost

Financial investments measured at amortized cost:

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

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

Loans:

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

VIII. Explanations on Impairment of Financial Assets

As of 1 January 2018, a loss allowance for expected credit losses is provided for all financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income, all financial assets, which are not measured at fair value through profit or loss, loan commitments and financial guarantee contracts in accordance with TFRS 9 principles and the regulation published in the Official Gazette no. 29750 dated 22 September 2016 in connection with “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” which came into force starting from 1 January 2018. Equity instruments are not subject to impairment assessment as they are measured at fair value.

Measurement of the expected credit losses reflects:

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

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

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument’s lifetime expected credit losses. Following criteria have been taken into account in classification a financial asset as Stage 2:

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

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

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

Stage 3:

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

Expected Credit Loss Calculation

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

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

VIII. Explanations on Impairment of Financial Assets (continued)

Expected Credit Loss Calculation (continued)

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

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

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

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

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

- 12-Month PD: as the estimated probability of default occurring within the next 12 months.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

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

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

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

Exposure at Default (EAD): The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. The expected default amount is calculated by discounting the principal and interest repayments for cash loans and income accruals by effective interest method while it refers to the value calculated through using credit conversion factors for non-cash loans and commitments. It shows the risk of the borrower at the date of default.

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

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

VIII. Explanations on Impairment of Financial Assets (continued)

Expected Credit Loss Calculation (continued)

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

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

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

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

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

Qualitative assessments:

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

Quantitative assessments:

“Significant increase in credit risk” is quantitatively based on the comparison the risk of default at the reporting date with the risk of default at the date of initial recognition. Where the change is above the defined threshold it is considered as significant increase in the credit risk, meaning that the credit is classified under Stage 2 Loans.

In the case of the internal credit rating of the loan is above a defined threshold without comparison with the origination date, the related loans are classified under Stage 2 Loans.

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

IX. Explanations on Offsetting of Financial Assets and Liabilities

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

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

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

Securities purchased under repurchase agreements ("Reverse repo") are accounted under "Money Market Placements" in the balance sheet. The difference between the purchase and resell price of the repurchase agreements is accrued over the life of repurchase agreements. As of 31 December 2019, the Bank has TL 840,263 reverse repo transaction (31 December 2018: TL 281,696).

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

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

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

As of 31 December 2019, assets held for sale and discontinued operations of the Bank are TL 131,362 (31 December 2018: TL 109,104). As per the appraisals performed for the real estates held for sale included "Assets Held for Sale" in the financial statements, TL 10,598 (31 December 2018: TL 6,131) has been reserved as provision for impairment losses.

As of 31 December 2019, the Bank has no discontinued operations.

XII. Explanations on Goodwill and Other Intangible Assets

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

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

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

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

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

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

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

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

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

XIII. Explanations on Tangible Fixed Assets

Tangible assets of the Bank are accounted for at their restated cost until 31 December 2004 and afterwards, the acquisition cost and any other cost incurred to prepare the asset ready for use are reflected, less reserve for impairment, if any. Depreciation rates are defined according to the economic life of the relevant assets.

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

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

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

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

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

XIV. Explanations on Leasing Transactions

With the "TFRS 16 Leases" standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease has been removed and the lease transactions are started to be recognized under "Tangible Assets" as an asset (tenure) and under "Lease Payables" as a liability. Effects and application of TFRS 16 concerning the transition were explained in Section three, footnote XXVI.

XV. Explanations on Provisions and Contingent Liabilities

Provisions are provided for liabilities of uncertain timing or amount arising from past events have the probability to result in an expense or loss in the future and when it can be measured reliably.

Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation as of the balance sheet date, and discounted to present value if material. Provisions and contingent liabilities, excluding specific and general provisions for loans and other receivables, are recognized in accordance with the Turkish Accounting Standards ("TAS 37") regarding "Provisions, Contingent Liabilities and Contingent Assets".

XVI. Explanations on Contingent Assets

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may contingent assets are disclosed in the financial statements' notes where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

XVII. Explanations on Liabilities Regarding Employee Benefits

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

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

Employees transferred to the Bank following the business combination defined in "General Information" of the Bank and Fortis Bank A.Ş. are the members of "Fortis Bank A.Ş. Mensupları Emekli Sandığı" (the "Pension Fund") which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No: 506. Technical financial statements of the Pension Fund are audited by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the "Actuary Regulations" issued based on the same article. As of 31 December 2019, the Pension Fund has 1,552 employees and 1,139 pensioners (31 December 2018: 1,686 employees and 1,095 pensioners).

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

XVII. Explanations on Liabilities Regarding Employee Benefits (continued)

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

The technical financial statements of the Pension Fund are prepared by an independent actuary company considering related regulation and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2019. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

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

According to “Turkish Accounting Standard (TAS 19) about Benefits for Employee”, actuarial gain amounting to TL 8,620 (1 January - 31 December 2018: TL26,265 loss) was classified as “Other Comprehensive Income” in financial statements for the period of 1 January – 31 December 2019 and as of 31 December 2019, TL 41,322 of actuarial gain after tax (31 December 2018: TL32,703) was accounted under “Other Reserves”.

XVIII. Explanations on Taxation

Corporate tax

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20% in Turkey. However, the corporate income tax rate will be applied as 22% for the years 2018, 2019 and 2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2017.

The tax legislation requires advance tax to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset from the final tax liability for the year. On the other hand, corporate tax and any related taxes paid to foreign tax offices for the income obtained from foreign branches are offset against the corporate tax levied in Turkey.

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

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

XVIII. Explanations on Taxation (continued)

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

Deferred Tax Liability/Asset

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

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

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

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

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

XIX. Additional Explanations on Borrowings

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

All other borrowing costs are recorded to the income statement in the period they are incurred.

XX. Explanations on Issued Equity Securities

There are no shares issued in 2019.

XXI. Explanations on Bill Guarantees and Acceptances

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

XXII. Explanations on Government Incentives

There is no government incentive utilized by the Bank.

XXIII. Explanations on Reporting According to Segmentation

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

Retail and private banking lines of the Bank provide consumer loans, personal financing, housing, workplace and vehicle loans for customer needs related to general consumption, purchase of durable goods, and real estate. The Bank also provides account products like "Marifetli", "Fırsat" and "CEPTETEB" along with the standard time deposit products to enable advantageous savings in different currencies and maturities.

In regards to investment needs for customers, retail and private banking offers brokerage services for treasury bill transactions, government bonds, Eurobonds, foreign exchange purchases/sales, a wide-range of investment funds, private pension funds and equity securities transactions. It also provides practical account, credit deposit account, automatic bill/regular payment options, safe-deposit boxes and insurance services beside credit and debit cards offering advantages in shopping and banking transactions. These products and services are provided to customers through widespread physical branches and ATM network and also via a 24/7 call center, internet and mobile banking.

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

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

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

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

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

XXIII. Explanations on Reporting According to Segmentation (continued)

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

Current Period	Retail and Private Banking(*)	Corporate	SME(*)	Other	Total
Dividend Income	-	-	-	18,570	18,570
Profit Before Tax	572,390	838,101	(269,219)	272,491	1,413,763
Tax Provision (-)	-	-	-	343,409	343,409
Net Profit for the Period	**572,390**	**838,101**	**(269,219)**	**(70,918)**	**1,070,354**

Current Period	Retail and Private Banking(*)	Corporate	SME(*)	Other	Total
Segment Assets	25,750,311	20,792,344	17,290,247	43,401,275	107,234,177
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	115,991	115,991
Total Assets	**25,750,311**	**20,792,344**	**17,290,247**	**43,517,266**	**107,350,168**
Segment Liabilities	51,472,544	14,120,899	6,479,553	25,556,598	97,629,594
Shareholders' Equity	-	-	-	9,720,574	9,720,574
Total Liabilities	**51,472,544**	**14,120,899**	**6,479,553**	**35,277,172**	**107,350,168**

(*) In 2019, the Business Portfolio was transferred from SME Banking to Retail and Private Banking.

Prior Period(31.12.2018)	Retail and Private Banking	Corporate	SME	Other	Total
Dividend Income	-	-	-	16,908	16,908
Profit Before Tax	160,737	493,242	417,321	209,420	1,280,720
Tax Provision (-)	-	-	-	279,017	279,017
Net Profit for the Period	**160,737**	**493,242**	**417,321**	**(69,597)**	**1,001,703**

Prior Period(31.12.2018)	Retail and Private Banking	Corporate	SME	Other	Total
Segment Assets	12,433,964	20,550,288	25,057,150	38,839,771	96,881,173
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	115,991	115,991
Total Assets	**12,433,964**	**20,550,288**	**25,057,150**	**38,955,762**	**96,997,164**
Segment Liabilities	41,161,274	12,479,861	10,080,246	23,537,275	87,258,656
Shareholders' Equity	-	-	-	9,738,508	9,738,508
Total Liabilities	**41,161,274**	**12,479,861**	**10,080,246**	**33,275,783**	**96,997,164**

XXIV. Explanations on Other Matters

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

XXV. Reclassifications

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

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

XXVI. Explanations on TFRS 16 Leases Standard

Explanations on TFRS 16 Leases Standard

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

Transferring, measuring and presenting the leases to the financial statements

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

The Bank applies this standard with modified retrospective approach recognizing the cumulative effect of initially applying the standard at the date of initial application and reflected it as a correction in the opening balance of Other Capital Reserves with this method, all right to use assets are measured from the amount of the lease payables in the transition to the application. Equity effect of the mentioned transition amounting to TL 120,430 is classified under "Other Capital Reserves" in shareholders' equity as of 1 January 2019. In this context, deferred tax asset amounting to TL 24,083 is reflected to the financial statements of 1 January 2019 and this amount has been classified under "Other Capital Reserves" in shareholders' equity.

During the initial application, the Bank has previously recorded a lease obligation to the leases classified as operational leases in accordance with TAS 17. These liabilities are measured at the present value of the remaining lease payments discounted at 1 January 2019 using the Bank's average borrowing rate.

Details based on the asset with regard to the recognized asset tenure is as follows:

	1 January 2019	31 December 2019
Real Estate	874,571	930,088
Vehicles	44,147	87,151
Total Asset Tenure	**918,718**	**1,017,239**

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

	1 January 2019	31 December 2019
Real Estate	367,720	447,323
Vehicles	15,910	31,817
Total Asset Tenure Depreciation Expense	**383,630**	**479,140**

Information on the leasing liability is presented below:

	1 January 2019	31 December 2019
Lease Liability	655,518	653,707

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

SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations Related to Components of Shareholders' Equity

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of 31 December 2019, Bank's total capital has been calculated as TL 14,339,636 (31 December 2018: TL 12,854,950) and capital adequacy ratio is 16.95% (31 December 2018: 16.93%). This ratio is well above the minimum ratio required by the legislation. The credit risk of banking accounts has been calculated by using the "Standard Approach", the market risk of purchase and sale accounts by using the "Standard Method", counterparty credit risk of derivative and repo transactions by using the "Fair Value Method", credit valuation adjustments of over counter derivative transactions by using the "Standard Model" and operational risk by using the "Basic Indicator Approach".

Information related to the Components of Shareholders' Equity:

Common Equity Tier 1 Capital	**Current Period 31.12.2019**	**Amount related to treatment before 01.01.2014(*)**
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	7,353,433	
Gains Recognized in Equity as per TAS	23,065	
Profit	1,079,851	
Current Period Profit	1,070,354	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	527	
Common Equity Tier 1 Capital Before Deductions	**10,864,093**	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	3,475	
Leasehold Improvements on Operational Leases	44,877	
Goodwill netted off deferred tax liability	421,124	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	124,530	124,530
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56 4th paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier 1 Capital	**594,006**	
Total Common Equity Tier 1 Capital	**10,270,087**	

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

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

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

	Current Period 31.12.2019	Amount related to treatment before 01.01.2014(*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier 1 Capital before deductions	-	
Deductions from Additional Tier 1 Capital	-	
Bank's direct or indirect investment on its own Tier 1 Capital	-	
Investments in equity instruments issued by banks or financial institutions invested in Bank’s additional Tier I Capital which are compatible with the article 7 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	
Items to be deducted from Tier I Capital during the Transition Period	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
Total Deductions from Additional Tier 1 Capital	-	
Total Additional Tier 1 Capital	-	
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	**10,270,087**	
TIER 2 CAPITAL		
Debt instruments and premiums approved by BRSA	3,145,908	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	932,332	
Tier 2 Capital Before Deductions	**4,078,240**	
Deductions From Tier 2 Capital		
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank’s Tier II Capital which are compatible with Article 8 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	
Other Items Determined by BRSA (-)	-	
Total Deductions From Tier 2 Capital	-	
Total Tier 2 Capital	**4,078,240**	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	**14,348,327**	

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

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

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

	Current Period 31.12.2019	Amount related to treatment before 01.01.2014(*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	2,467	
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	
Other items to be defined by the BRSA (-)	6,224	
Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
TOTAL CAPITAL		
Total Capital	14,339,636	
Total Risk Weighted Assets	84,609,081	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	12.14	
Tier 1 Capital Adequacy Ratio (%)	12.14	
Capital Adequacy Ratio (%)	16.95	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c) (%)	2.50	
a) Capital conservation buffer requirement (%)	2.50	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemic significant bank buffer ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	3.63	
Amounts below the Excess Limits as per the Deduction Principles		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	124,855	
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	650,094	
Limits related to provisions considered in Tier 2 Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,503,984	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used(**)	932,332	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	
The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9	265,721	

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

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

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

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

Common Equity Tier 1 Capital	**Prior Period 31.12.2018**	**Amount related to treatment before 01.01.2014(*)**
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	6,526,330	
Gains Recognized in Equity as per TAS	-	
Profit	1,011,200	
Current Period Profit	1,001,703	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	527	
Common Equity Tier 1 Capital Before Deductions	**9,945,274**	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	139,555	
Leasehold Improvements on Operational Leases	48,953	
Goodwill netted off deferred tax liability	421,124	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	98,374	98,374
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank’s liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56, 4th paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the Bank does not own more than 10% of he issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier 1 Capital	**708,006**	
Total Common Equity Tier 1 Capital	**9,237,268**	

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

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

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

	Prior Period 31.12.2018	Amount related to treatment before 01.01.2014 (*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier 1 Capital before deductions	-	
Deductions from Additional Tier 1 Capital		
Bank's direct or indirect investment on its own Tier 1 Capital	-	
Investments in equity instruments issued by banks or financial institutions invested in Bank’s additional Tier I Capital which are compatible with the article 7 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	
Items to be deducted from Tier I Capital during the Transition Period	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
Total Deductions from Additional Tier 1 Capital	-	
Total Additional Tier 1 Capital	-	
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	**9,237,268**	
TIER 2 CAPITAL		
Debt instruments and premiums approved by BRSA	2,465,663	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	316,403	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	847,992	
Tier 2 Capital Before Deductions	**3,630,058**	
Deductions From Tier 2 Capital	-	
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank’s Tier II Capital which are compatible with Article 8 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	
Other Items Determined by BRSA (-)	-	
Total Deductions From Tier 2 Capital	-	
Total Tier 2 Capital	**3,630,058**	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	**12,867,326**	

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

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

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

	Prior Period 31.12.2018	Amount related to treatment before 01.01.2014 (*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	12,375	
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years(-)	-	
Other items to be defined by the BRSA (-)	1	
Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
TOTAL CAPITAL		
Total Capital	12,854,950	
Total Risk Weighted Assets	75,941,606	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	12.16	
Tier 1 Capital Adequacy Ratio (%)	12.16	
Capital Adequacy Ratio (%)	16.93	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c) (%)	1.88	
a) Capital conservation buffer requirement (%)	1.88	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemic significant bank buffer ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	4.28	
Amounts below the Excess Limits as per the Deduction Principles		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	88,526	
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	187,325	
Limits related to provisions considered in Tier 2 Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,356,383	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used(**)	847,992	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	-	
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	
The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9	354,295	

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

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

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

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

	T	T-1	T-2	T-3	T-4
CAPITAL ITEMS					
Common Equity Tier 1 Capital	10,270,087	9,987,720	9,789,688	9,397,286	9,237,268
Common Equity Tier 1 Capital where the transition impact of TFRS 9 has not been applied (a)	10,004,366	9,721,999	9,523,967	9,131,565	8,882,973
Tier 1 Capital	10,270,087	9,987,720	9,789,688	9,397,286	9,237,268
Tier 1 Capital where the transition impact of TFRS 9 has not been applied (b)	10,004,366	9,721,999	9,523,967	9,131,565	8,882,973
Capital	14,339,636	13,826,973	13,758,208	13,147,245	12,854,950
Capital where the transition impact of TFRS 9 has not been applied (c)	14,073,915	13,561,252	13,492,487	12,881,524	12,500,655
TOTAL RISK WEIGHTED ASSETS					
Total Risk Weighted Assets	84,609,081	83,639,057	82,844,380	84,015,439	75,941,606
CAPITAL ADEQUENCY RATIOS					
Common Equity Tier 1 Capital Adequacy Ratio (%)	12.14	11.94	11.82	11.19	12.16
Common Equity Tier 1 Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	11.82	11.62	11.50	10.87	11.70
Tier 1 Capital Adequacy Ratio (%)	12.14	11.94	11.82	11.19	12.16
Tier 1 Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	11.82	11.62	11.50	10.87	11.70
Capital Adequacy Ratio (%)	16.95	16.53	16.61	15.65	16.93
Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	16.63	16.21	16.29	15.33	16.46
LEVERAGE RATIO					
Leverage Ratio Total Risk Amount	148,550,077	149,244,078	150,550,785	150,759,032	135,658,725
Leverage Ratio	6.91%	6.69%	6.50%	6.23%	6.81%
FTA not Applied Leverage Ratio (d)	6.73%	6.51%	6.33%	6.06%	6.55%

Basic information for the TFRS 9 transition process

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

Explanations on Reconciliation of Capital Items to Balance Sheet:

Total Capital per Balance Sheet	**9,720,574**
Hedging Funds (effective portion)	886,750
Deductions Made Under Regulation	(602,958)
Transition Impact of TFRS 9 (Temporary 5th Article)	265,721
Common Equity Tier 1 Capital	**10,270,087**
Additional Tier 1 Capital	-
Tier 1 Capital	**10,270,087**
General Provisions (Stage 1 and 2)	932,332
Bank's Borrowing Instruments	3,145,908
Deductions Made Under Regulation	(8,691)
Total Equity	**14,339,636**

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

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

Information related to debt instruments included in equity calculation

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

Issuer	**TEB**	**TEB**	**TEB**	**TEB**
Unique identifier of the debt instrument (e.g. CUSIP, ISIN)	XS1895575071	XS2023308278	XS1973559484	XS1845118865
Governing law(s) of the debt instrument	Turkey	Turkey	Turkey	Turkey
Regulatory treatment				
Subject to 10% deduction as of 1/1/2015	No	No	No	No
Eligible at unconsolidated/consolidated/consolidated and unconsolidated	Available	Available	Available	Available
Type of the debt instrument	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument
Amount recognized in regulatory capital (TL Currency in mil, as of most recent reporting date)	1,246.1	666.6	400	833.3
Par value of debt instrument (TL Currency in mil)	1,246.1	666.6	400	833.3
Accounting classification of the debt instrument	34701100	34701100	34701100	34701100
Original date of issuance	05.11.2018	22.07.2019	14.05.2019	27.06.2018
Perpetual or dated	Time	Time	Time	Time
Original maturity date	05.11.2028	22.07.2029	14.05.2029	27.06.2028
Issuer call subject to prior supervisory approval	Available	Available	Available	Available
Optional call date, contingent call dates and redemption amount	05.11.2023	22.07.2024	14.05.2024	27.06.2023
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Fixed	Floating	Floating	Floating
Coupon rate and any related index	10.40%	Euribor+7.10%	Euribor+7.10%	Euribor+5.10%
Existence of a dividend stopper	None	None	None	None
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	None	None	None	None
Noncumulative or cumulative	None	None	None	None
Convertible or non-convertible				
If convertible, conversion trigger(s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature				
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to the debt instrument)	deposit and other receivables	deposit and other receivables	deposit and other receivables	deposit and other receivables
Whether conditions which stands in Article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess	Possess	Possess	Possess
According to Article 7 and 8 of Banks' shareholders equity law that are not possessed(*)	-	-	-	-

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

II. Explanations Related to Credit Risk

Credit risk and financial loss that the Bank is a party in a contract whereby the counterparty fails to meet its obligation.

The credit allocation is performed on a debtor and a debtor group basis within the limits. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

The credit risks and limits related to treasury activities, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

As prescribed in the Communiqué numbered 29750 dated 22 June 2016 on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Most of the statements of accounts for the loans are derived from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

A restructuring is defined as the privilege due to the borrower's encountered or likely to encountered financial difficulties. The privileges granted to the borrower assumed to be in financial difficulty are

- a change in the terms and conditions of the loan or
- partially or completely refinancing of the loan in favour of the debtor.

In order to be subject to restructuring, the firm must be confronted with the difficulty of payment. The difficulty should be supported by concrete developments or findings. Each restructuring request is evaluated on transaction basis by the authorized credit allocation unit according to the activity of the firm, the income generation structure by the sectoral operation.

Restructuring of the loans supported by Credit Guarantee Fund ("CGF loans") is evaluated in accordance with the current legislation. The principles regarding to restructuring of Treasury-Back CGF loans in the scope of 11 October 2018 dated Presidential Decree are taken into account.

Non-required delay time loans that is not classified as Stage III Loans defined in "Regulation on Procedures and Principles for Classification of Loans And Provisions to be Set Aside" published in the Official Gazette numbered 29750 dated 22 June 2016, whose principal and interest payment collection delayed more than 30 days are considered as "Past-due Loan" in the Accounting Practice; group III, IV and V loans defined in the mentioned communiqué are considered as "impaired receivables" without considering refinancing or addition of the accrued interest and quasi-interest principal amount.

The Bank provides specific reserves to Group III, IV and V loans in accordance with "Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside".

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

II. Explanations Related to Credit Risk (continued)

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types for the relevant period:

Exposure classifications	Current Period Risk Amount (*)	Average Risk Amount (*,**)
Conditional and unconditional receivables from central governments or central banks	20,808,776	19,889,510
Conditional and unconditional receivables from regional or local governments	1,249,725	1,028,952
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	12,343,046	8,454,625
Conditional and unconditional corporate receivables	34,548,225	38,019,684
Conditional and unconditional retail receivables	32,532,649	32,161,243
Conditional and unconditional secured mortgage receivables	12,654,892	10,737,238
Past due receivables	1,874,439	1,602,291
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	4,337,763	3,937,051
Investments in equities	132,920	115,964

(*) Risk amounts after conversion rate to credit are given before credit risk mitigation.
(**) Average risk amount is calculated by taking the arithmetic average of balances prepared to the end of the month.

Exposure classifications	Prior Period Risk Amount (*)	Average Risk Amount (*,**)
Conditional and unconditional receivables from central governments or central banks	20,204,198	18,484,138
Conditional and unconditional receivables from regional or local governments	995,628	884,350
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	7,237,954	10,693,487
Conditional and unconditional corporate receivables	39,857,920	39,707,404
Conditional and unconditional retail receivables	30,196,246	32,414,351
Conditional and unconditional secured mortgage receivables	8,872,358	9,227,854
Past due receivables	1,180,692	842,699
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	2,962,397	2,479,107
Investments in equities	94,290	84,751

(*) Risk amounts after conversion rate to credit are given before credit risk mitigation.
(**) Average risk amount is calculated by taking the arithmetic average of balances prepared to the end of the month.

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

II. Explanations Related to Credit Risk (continued)

For the positions of the Bank in terms of forward transactions and other similar contracts, operational limits are set by the Board of Directors and the transactions take place within these limits

The fulfillment of the benefits and proceeds related to forward transactions can be realized at maturity. However, in order to minimize the risk, back to back positions of existing risks are entered into the market due to necessity.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Since the volume of the restructured loans is not material to the financial statements, no additional follow up methodology is developed, except as stated in the regulations.

Financial institutions abroad and country risks of the Bank are generally taken for the financial institutions and countries that are rated at investment level by international rating agencies which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are considered to be not material to the financial structure of the Bank.

The Bank does not have a material credit risk concentration as an active participant in the international banking market when the financial operations of the other financial institutions are concerned.

As of 31 December 2019, the receivables of the Bank from its top 100 and top 200 cash loan share in total cash loans are respectively 22.56% and 28.45%. (31 December 2018: 19.51% and 26.06%)

As of 31 December 2019, the receivables of the Bank from its top 100 and top 200 non-cash loan share are 58.35% and 66.46% respectively in the total non-cash loans. (31 December 2018: 55.11% and 65.42%)

As of 31 December 2019, the share of cash and non-cash receivables of the Bank from its top 100 and top 200 loan customers in total balance sheet and off-balance sheet assets is 8.44% and 10.94% respectively. (31 December 2018: 7.69% and 10.49%)

As of 31 December 2019, the general loan loss provision related with the credit risk taken by the Bank is TL1,503,984 (31 December 2018: TL: 1,356,383).

Credit Rating System

Credit risk is evaluated according to the internal rating system of the Bank, which is linked to the rating scale, and loans are classified from the best rating to the lowest rating according to the probability of default. As of 31 December 2019 Retail, Business and Agricultural Banking loans are excluded from the internal rating system of the Bank and these loans constitute 31.05% of the total cash and non-cash loan portfolio (31 December 2018: 28.15 %). Application and behavioral scorecards are used for the Individual and Business segments, and behavioral scorecard for the Agricultural segment.

The risks that are subject to rating models can be allocated as follows.

Category	Description of Category	Share in the Total % 31.12.2019	Share in the Total % 31.12.2018
1st Category	The borrower has a very strong financial structure	40.39	34.37
2nd Category	The borrower has a good financial structure	25.38	24.29
3rd Category	The borrower has an intermediate level of financial structure	24.95	32.04
4th Category	The financial structure of the borrower has to be closely monitored in the medium term	9.28	9.30
	Total	**100.00**	**100.00**

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

II. Explanations Related to Credit Risk (continued)

Profile of significant exposures in major regions:

	Exposure Categories (***)																	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Receivables in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	Investments in equities	Total
Current Period																		
Domestic	4,286,981	623,819	-	-	-	2,277,362	20,711,820	21,919,612	6,477,806	1,685,310	-	-	-	-	-	1,520,061	132,920	59,635,691
European Union (EU) Countries	-	-	-	-	-	1,376,688	4,079	9,718	4,904	1,752	-	-	-	-	-	191	-	1,397,332
OECD Countries (*)	-	-	-	-	-	148,208	108	529	413	3	-	-	-	-	-	540	-	149,801
Off-Shore Banking Regions (****)	399,811	-	-	-	-	9	234,520	106,298	43,444	6,187	-	-	-	-	-	306	-	790,575
USA, Canada	-	-	-	-	-	42,234	-	901	345	10	-	-	-	-	-	-	-	43,490
Other Countries	-	-	-	-	-	14,220	35,750	1,968	799	20	-	-	-	-	-	-	-	52,757
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115,991	-	115,991
Unallocated Assets/Liabilities (**)	-	1,050	-	-	-	557,445	12,245,386	2,352,342	490,801	115,221	-	-	-	-	-	2,649	-	15,764,894
Total	**4,686,792**	**624,869**	**-**	**-**	**-**	**4,416,166**	**33,231,663**	**24,391,368**	**7,018,512**	**1,808,503**	**-**	**-**	**-**	**-**	**-**	**1,639,738**	**132,920**	**77,950,531**

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

(**) Includes assets and liability items that cannot be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before Credit Risk Mitigation.

(****) Northern Cyprus Turkish Republic balances are included in Off-Shore Banking Regions.

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

II. Explanations Related to Credit Risk (continued)

Profile of significant exposures in major regions: (continued)

	Exposure Categories (***)																	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Receivables in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	Investments in equities	Total
Prior Period																		
Domestic	2,897,307	496,243	-	-	-	1,140,730	26,081,514	20,353,762	3,334,202	1,154,149	-	-	-	-	-	723,084	94,290	56,275,281
European Union (EU) Countries	-	-	-	-	-	833,506	3,494	11,960	4,635	1,759	-	-	-	-	-	15,706	-	871,060
OECD Countries (*)	-	-	-	-	-	15,703	-	700	395	-	-	-	-	-	-	1,603	-	18,401
Off-Shore Banking Regions (****)	340,589	-	-	-	-	9	175,649	96,763	62,447	3,402	-	-	-	-	-	193	-	679,052
USA, Canada	-	-	-	-	-	48,673	1	1,218	272	2	-	-	-	-	-	-	-	50166
Other Countries	-	-	-	-	-	27,522	55,045	2,477	663	2	-	-	-	-	-	-	-	85,709
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115,986	-	115,986
Unallocated Assets/Liabilities (**)	-	1,895	-	-	-	373,430	13,004,299	2,174,176	103,626	96,068	-	-	-	-	-	2,242	-	15,755,736
Total	**3,237,896**	**498,138**	**-**	**-**	**-**	**2,439,573**	**39,320,002**	**22,641,056**	**3,506,240**	**1,255,382**	**-**	**-**	**-**	**-**	**-**	**858,814**	**94,290**	**73,851,391**

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

(**) Includes assets and liability items that cannot be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(****) Northern Cyprus Turkish Republic balances are included in Off-Shore Banking Regions

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

II. Explanations Related to Credit Risk (continued)

Risk profile by Sectors or Counterparties:

	Exposure Categories (**)																			
Current Period	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Receivables in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	Investments in equities	TL (*)	FC	Total
Agriculture	-	-	-	-	-	-	374,692	536,218	261,206	150,896	-	-	-	-	-	-	-	1,162,084	160,928	1,323,012
Farming and Stockbreeding	-	-	-	-	-	-	317,205	525,965	258,848	148,777	-	-	-	-	-	-	-	1,090,841	159,954	1,250,795
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	57,487	10,253	2,358	2,119	-	-	-	-	-	-	-	71,243	974	72,217
Manufacturing	-	-	-	-	-	-	18,252,019	4,977,803	2,163,538	554,389	-	-	-	-	-	21	-	15,490,396	10,457,374	25,947,770
Mining and Quarrying	-	-	-	-	-	-	1,473,513	237,677	78,380	33,035	-	-	-	-	-	-	-	1,135,354	687,251	1,822,605
Production	-	-	-	-	-	-	16,016,287	4,707,054	1,913,525	509,667	-	-	-	-	-	21	-	13,756,241	9,390,313	23,146,554
Electricity, Gas and Water	-	-	-	-	-	-	762,219	33,072	171,633	11,687	-	-	-	-	-	-	-	598,801	379,810	978,611
Construction	-	-	-	-	-	-	2,118,040	637,414	467,131	284,003	-	-	-	-	-	-	-	2,031,355	1,475,233	3,506,588
Services	4,686,792	624,869	-	-	-	4,416,166	12,008,560	5,215,221	2,632,510	707,107	-	-	-	-	-	1,638,829	131,367	17,247,660	14,813,761	32,061,421
Wholesale and Retail Trade	-	-	-	-	-	-	4,003,922	2,526,552	912,416	340,407	-	-	-	-	-	97	-	5,805,138	1,978,256	7,783,394
Accommodation and Dining	-	-	-	-	-	-	733,180	417,832	802,371	68,350	-	-	-	-	-	-	-	818,428	1,203,305	2,021,733
Transportation and Telecom.	-	-	-	-	-	-	1,536,635	978,073	293,854	142,060	-	-	-	-	-	115	-	2,266,800	683,937	2,950,737
Financial Institutions	4,686,792	-	-	-	-	4,416,166	1,786,230	59,171	5,201	7,406	-	-	-	-	-	1,638,362	131,367	3,810,088	8,920,607	12,730,695
Real Estate and Rental Services	-	-	-	-	-	-	3,438,078	907,814	510,515	114,144	-	-	-	-	-	242	-	3,057,345	1,913,448	4,970,793
Self-Employment Services	-	-	-	-	-	-	380,682	279,877	103,933	31,773	-	-	-	-	-	-	-	682,986	113,279	796,265
Educational Services	-	-	-	-	-	-	42,583	38,431	3,213	2,883	-	-	-	-	-	8	-	86,556	562	87,118
Health and Social Services	-	624,869	-	-	-	-	87,250	7,471	1,007	84	-	-	-	-	-	5	-	720,319	367	720,686
Other	-	-	-	-	-	-	478,352	13,024,712	1,494,127	112,108	-	-	-	-	-	888	1,553	14,704,848	406,892	15,111,740
Total	**4,686,792**	**624,869**	**-**	**-**	**-**	**4,416,166**	**33,231,663**	**24,391,368**	**7,018,512**	**1,808,503**	**-**	**-**	**-**	**-**	**-**	**1,639,738**	**132,920**	**50,636,343**	**27,314,188**	**77,950,531**

(*) Foreign Currency indexed credits are shown in TL column.

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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

II. Explanations Related to Credit Risk (continued)

Risk profile by Sectors or Counterparties: (continued)

	Exposure Categories (**)																			
Prior Period	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Receivables in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	Investments in equities	TL (*)	FC	Total
Agriculture	-	-	-	-	-	-	499,473	1,104,009	59,990	103,504	-	-	-	-	-	1,603	-	1,549,323	219,256	1,768,579
Farming and Stockbreeding	-	-	-	-	-	-	450,784	1,088,698	59,793	97,433	-	-	-	-	-	1,603	-	1,486,607	211,704	1,698,311
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	48,689	15,311	197	6,071	-	-	-	-	-	-	-	62,716	7,552	70,268
Manufacturing	-	-	-	-	-	-	21,353,837	5,209,497	650,798	401,253	-	-	-	-	-	-	-	15,856,979	11,758,406	27,615,385
Mining and Quarrying	-	-	-	-	-	-	1,755,659	273,009	31,174	13,587	-	-	-	-	-	-	-	1,636,395	437,034	2,073,429
Production	-	-	-	-	-	-	18,460,148	4,902,792	611,305	384,184	-	-	-	-	-	-	-	13,718,318	10,640,111	24,358,429
Electricity, Gas and Water	-	-	-	-	-	-	1,138,030	33,696	8,319	3,482	-	-	-	-	-	-	-	502,266	681,261	1,183,527
Construction	-	-	-	-	-	-	3,190,815	1,133,385	180,805	162,842	-	-	-	-	-	-	-	2,895,546	1,772,301	4,667,847
Services	3,237,896	498,138	-	-	-	2,439,573	14,057,076	5,966,289	1,051,443	509,690	-	-	-	-	-	838,426	88,526	16,209,276	12,477,781	28,687,057
Wholesale and Retail Trade	-	-	-	-	-	-	5,223,791	2,914,857	357,133	240,040	-	-	-	-	-	6,398	-	6,375,421	2,366,798	8,742,219
Accommodation and Dining	-	-	-	-	-	-	998,520	426,967	294,529	38,500	-	-	-	-	-	-	-	886,891	871,625	1,758,516
Transportation and Telecom.	-	-	-	-	-	-	1,642,439	1,125,693	106,724	107,022	-	-	-	-	-	13	-	2,284,721	697,170	2,981,891
Financial Institutions	3,237,896	-	-	-	-	2,439,573	1,975,695	47,400	3,977	7,442	-	-	-	-	-	831,952	88,526	2,644,343	5,988,118	8,632,461
Real Estate and Rental Services	-	-	-	-	-	-	3,615,551	1,081,627	246,206	100,257	-	-	-	-	-	56	-	2,635,722	2,407,975	5,043,697
Self-Employment Services	-	-	-	-	-	-	428,499	311,725	37,841	16,139	-	-	-	-	-	-	-	653,095	141,109	794,204
Educational Services	-	-	-	-	-	-	21,385	51,724	4,181	271	-	-	-	-	-	3	-	74,362	3,202	77,564
Health and Social Services	-	498,138	-	-	-	-	151,196	6,296	852	19	-	-	-	-	-	4	-	654,721	1,784	656,505
Other	-	-	-	-	-	-	218,801	9,227,876	1,563,204	78,093	-	-	-	-	-	18,785	5,764	11,023,79	88,725	11,112,52
Total	**3,237,896**	**498,138**	**-**	**-**	**-**	**2,439,573**	**39,320,002**	**22,641,056**	**3,506,240**	**1,255,38**		**-**	**-**	**-**	**-**	**858,814**	**94,290**	**47,534,92**	**26,316,46**	**73,851,39**

(*) Foreign Currency indexed credits are shown in TL column.

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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

II. Explanations Related to Credit Risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities:

Current Period			**Term To Maturity**		
Exposure classifications	**1 Month**	**1-3 Months**	**3-6 Months**	**6-12 Months**	**Over 1 year**
Conditional and unconditional exposures to central governments or central banks	1,066,414	471,734	149,250	-	2,999,393
Conditional and unconditional exposures to regional governments or local authorities	454	8,510	5,831	28,694	580,327
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	2,521,879	149,760	391,771	354,946	22,467
Conditional and unconditional exposures to corporates	6,709,735	3,041,969	1,774,385	2,099,121	7,070,149
Conditional and unconditional retail exposures	5,901,738	662,123	1,057,436	1,960,244	12,447,543
Conditional and unconditional exposures secured by real estate property	1,060,771	188,558	418,402	500,288	4,358,543
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other receivables	9,742	-	-	-	-
Investment in equities	-	-	-	-	-
Total	**17,270,733**	**4,522,654**	**3,797,075**	**4,943,293**	**27,478,422**

Prior Period			**Term To Maturity**		
Exposure classifications	**1 Month**	**1-3 Months**	**3-6 Months**	**6-12 Months**	**Over 1 year**
Conditional and unconditional exposures to central governments or central banks	2,822,016	1,055	-	-	405,667
Conditional and unconditional exposures to regional governments or local authorities	248	1,956	3,723	9,493	480,822
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	819,947	34,576	520,202	190,462	67,727
Conditional and unconditional exposures to corporates	6,792,023	3,451,226	2,916,335	3,862,111	9,280,123
Conditional and unconditional retail exposures	5,632,259	676,518	1,865,958	1,778,861	10,505,072
Conditional and unconditional exposures secured by real estate property	591,351	103,932	155,687	173,841	2,377,331
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other receivables	6,798	-	-	-	-
Investment in equities	-	-	-	-	-
Total	**16,664,642**	**4,269,263**	**5,461,905**	**6,014,768**	**23,116,742**

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

II. Explanations Related to Credit Risk (continued)

Information about the risk exposure categories:

The credit rating of Fitch Ratings International Rating Agency is used for all receivables from the central governments or central banks which are included in the risk classes indicated in Article 6 of the Communiqué on Measurement and Assessment of Capital Adequacy of the Bank, and the country risk classification announced by The Organization for Economic Co-operation and Development (OECD) is used for receivables from banks and intermediary agencies. 20% weight concentration is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and 50% weight concentration is used for receivables with a maturity period of more than three months, and the risk weight used for all receivables is not lower than the risk concentration corresponding to the OECD credit quality level of the country where the non-rated banks and intermediary agencies are founded.

Risk ratings per the credit quality levels and the risk weights according to exposure categories announced by Fitch Ratings International Rating Agency and Organization for Economic Co-operation and Development (OECD)’s are presented below:

Credit Quality Level	Fitch Ratings Long- Term Credit Rating	Risk Weight of Receivables from Central Government or Central Banks	Receivables from Banks and Brokerage Houses		Corporate Receivables
			DTM less than 3 months	DTM higher than 3 months	
0	-		20%	50%	100%
1	AAA and AA-	0%	20%	50%	100%
2	A+ and A-	20%	20%	50%	100%
3	BBB+ and BBB-	50%	50%	50%	100%
4	BB+ and BB-	100%	100%	100%	100%
5	B+ and B-	100%	100%	100%	100%
6	CCC+ and below	150%	100%	100%	100%
7	-		150%	150%	100%

Exposures by risk weights:

Current Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before Credit Risk Mitigation	18,782,383	-	9,722,718	5,619,543	8,772,509	32,503,479	44,694,831	386,973	-	-	-	599,223
Exposures after Credit Risk Mitigation	20,810,311	-	9,894,427	5,619,543	8,792,310	30,117,705	42,886,103	251,802	-	-	-	599,223

Prior Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before Credit Risk Mitigation	19,033,141	-	5,195,722	6,199,592	6,429,362	30,181,213	44,104,362	458,291	-	-	-	580,828
Exposures after Credit Risk Mitigation	24,252,420	-	5,379,294	6,199,592	6,678,969	25,338,334	41,277,697	414,712	-	-	-	580,828

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

II. Explanations Related to Credit Risk (continued)

Information in terms of major sectors and type of counterparties:

	Credits		Provisions
	Impaired Receivables (TFRS 9)		
Current Period			
Major Sectors / Counterparties	**Significant Increase in Credit Risk (Stage II)**	**Credit-Impaired Losses (Stage III)**	**Expected Credit Loss Provisions (TFRS 9)**
Agriculture	389,856	257,288	165,710
Farming and Stockbreeding	384,108	252,031	162,059
Forestry	-	675	612
Fishery	5,748	4,582	3,039
Manufacturing	1,542,620	803,789	626,803
Mining and Quarrying	84,136	13,466	18,190
Production	1,451,604	773,381	602,057
Electricity, Gas and Water	6,880	16,942	6,556
Services	3,064,524	1,857,476	1,449,342
Wholesale and Retail Trade	944,454	1,463,331	938,988
Accommodation and Dining	737,563	122,513	132,793
Transportation and Telecom.	492,117	149,666	137,225
Financial Institutions	212,560	13,413	59,972
Real Estate and Rental Services	553,559	33,710	122,601
Professional Services	60,825	64,569	44,882
Educational Services	17,606	7,229	8,298
Health and Social Services	45,840	3,045	4,583
Other	3,867,382	1,228,353	1,004,843
Total	**8,864,382**	**4,146,906**	**3,246,698**

	Credits		Provisions
	Impaired Receivables (TFRS 9)		
Prior Period			
Major Sectors / Counterparties	**Significant Increase in Credit Risk (Stage II)**	**Credit-Impaired Losses (Stage III)**	**Expected Credit Loss Provisions (TFRS 9)**
Agriculture	557,694	195,261	161,407
Farming and Stockbreeding	555,121	187,660	158,467
Forestry	-	6,769	2,096
Fishery	2,573	832	844
Manufacturing	2,135,001	533,059	462,730
Mining and Quarrying	139,300	61,975	45,364
Production	1,898,323	465,984	405,512
Electricity, Gas and Water	97,378	5,100	11,854
Services	3,529,764	1,365,979	1,211,277
Wholesale and Retail Trade	1,143,084	1,000,379	699,641
Accommodation and Dining	915,127	76,779	166,165
Transportation and Telecom.	399,702	85,097	100,109
Financial Institutions	196,071	28,537	55,214
Real Estate and Rental Services	746,124	96,886	130,303
Professional Services	97,179	61,609	47,625
Educational Services	29,756	14,320	10,360
Health and Social Services	2,721	2,372	1,860
Other	3,966,519	680,445	658,980
Total	**10,188,978**	**2,774,744**	**2,494,394**

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

II. Explanations Related to Credit Risk (continued)

Information about Value Adjustment and Change in Provisions

	31.12.2018 Balance	Provision for the Period	Provision Reversal	Written off from Asset	Other Adjustments(*)	31.12.2019 Balance
Default (Stage III)	1,705,877	1,543,159	(242,873)	(613,109)	1,602	2,394,656
Expected Loss Provisions (Stage I-II)	1,356,383	459,096	(353,802)	-	42,307	1,503,984

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company

	31.12.2017 Balance	TFRS 9 Transition Effect	Provision for the Period	Provision Reversal	Written off from Asset	Other Adjustments (*)	31.12.2018 Balance
Default (Stage III / Specific Provision)	1,242,811	25,747	965,226	(54,623)	(476,477)	3,193	1,705,877
Expected Loss Provisions (Stage I-II)	576,339	443,827	503,721	(163,384)	-	(4,120)	1,356,383

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company.

III. Explanations Related to Risks Involved in Counter-Cyclical Capital Buffer Calculation:

Current Period

Countries where the risk ultimately taken	Private sector loans in banking accounts	Risk weighted amounts calculated in trading accounts	Total
Turkey	63,538,329	613,436	64,151,765
TRNC	370,046	-	370,046
England	343,908	-	343,908
The Ivory Coast	29,622	-	29,622
Germany	6,331	-	6,331
Egypt	6,126	-	6,126
Belgium	1,730	-	1,730
Other	12,613	5	12,618
	64,308,705	**613,441**	**64,922,146**

Prior Period

Countries where the risk ultimately taken	Private sector loans in banking accounts	Risk weighted amounts calculated in trading accounts	Total
Turkey	60,879,800	690	60,880,490
England	358,800	-	358,800
TRNC	316,496	-	316,496
The Ivory Coast	43,903	-	43,903
Egypt	11,366	-	11,366
Russia	8,502	-	8,502
Germany	7,344	-	7,344
Other	14,946	-	14,946
	61,641,157	**690**	**61,641,847**

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

IV. Explanations Related to Currency Risk

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

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

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

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

As of 31 December 2019, the Bank’s balance sheet short position is TL 12,304,371 (31 December 2018: TL 9,614,191 short position) off-balance sheet long position is TL 11,928,995 (31 December 2018: 10,013,090 long position) and as a result net foreign currency short position is TL 375,376 (31 December 2018: net TL 398,899 long position).

The announced current foreign exchange buying rates of the Parent Bank at 31 December 2019 and the previous five working days in full TL are as follows:

	24.12.2019	25.12.2019	26.12.2019	27.12.2019	30.12.2019	31.12.2019
USD	5.9298	5.9242	5.9199	5.9393	5.9283	5.9338
JPY	0.0542	0.0540	0.0540	0.0542	0.0544	0.0547
EURO	6.5696	6.5753	6.5687	6.6259	6.6337	6.6660

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 December 2019 are as follows:

	Monthly Average Foreign Exchange Rate
USD	5.8343
JPY	0.0534
EUR	6.4797

Information on the foreign currency risk of the Bank:

The Bank is exposed to foreign currency risk in large amounts in EURO and USD.

The table below shows the Bank's sensitivity to a 10% change in the USD and EURO rates. The rate of 10% used is the rate used to report the currency risk to the senior management within the Bank, and this rate represents the possible change expected by the management in exchange rates. 10% depreciation of USD and EURO against TL affects profit and equity amounts positively in the case of a short position and negatively in the case of a long position.

Change in FX Rate %		Effect on Profit / Loss	Effect on Equity (*)
		31 December 2019	31 December 2019
USD	10 increase	19,299	937
USD	10 decrease	(19,299)	(937)
EURO	10 increase	(7,623)	587
EURO	10 decrease	7,623	(587)

Change in FX Rate %		Effect on Profit / Loss	Effect on Equity (*)
		31 December 2018	31 December 2018
USD	10 increase	7,949	(833)
USD	10 decrease	(7,949)	833
EURO	10 increase	(293)	(514)
EURO	10 decrease	293	514

(*) The effect on equity does not include the effect of the change in exchange rates on the income statement.

The sensitivity of the Bank to the changes in the exchange rates did not change significantly in the current period. Opening or closing positions in line with market expectations may increase the sensitivity to changes in the period's exchange rates.

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

IV. Explanations Related to Currency Risk (continued)

Information on the Bank's currency risk:

The table below shows the Bank’s distribution of balance sheet and derivative foreign exchange transactions taking into account the options transactions with nominal values as indicated in the BRSA regulation on foreign currency position. Besides taking into account this position by monitoring legal limits, the Bank also monitors the delta-adjusted position of the option transactions. As of 31 December 2019, the Bank has net USD long position TL 97,475 and net EUR short position TL 75,257.

Current Period	**EURO**	**USD**	**Other FC**	**Total**
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey (1)	5,094,402	5,284,108	859,517	11,238,027
Banks (2)	1,069,500	4,654,099	1,748,333	7,471,932
Financial Assets at Fair Value Through Profit or Loss	712,591	156,748	-	869,339
Money Market Placements	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	1,562,241	634,769	19,465	2,216,475
Loans (3)	8,697,744	2,670,624	1,251,196	12,619,564
Subsidiaries, Associates and Entities Under Common Control	-	-	-	-
Financial Assets Measured at Amortized Cost (4)	473,508	882,818	-	1,356,326
Derivative Financial Assets for Hedging Purposes (5)	877	-	-	877
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (6)	2,056,038	33,208	18,464	2,107,710
Total Assets	**19,666,901**	**14,316,374**	**3,896,975**	**37,880,250**
Liabilities				
Bank Deposits	101	118,681	7	118,789
Foreign Currency Deposits (7)	13,281,324	20,847,113	3,471,026	37,599,463
Money Market Borrowings	327,167	-	-	327,167
Funds Provided From Other Financial Institutions	6,737,648	4,368,856	353,180	11,459,684
Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Derivative Financial Liabilities for Hedging Purposes	7,267	-	-	7,267
Other Liabilities (8)	341,645	315,533	15,073	672,251
Total Liabilities	**20,695,152**	**25,650,183**	**3,839,286**	**50,184,621**
Net Balance Sheet Position	**(1,028,251)**	**(11,333,809)**	**57,689**	**(12,304,371)**
Net Off-Balance Sheet Position	**797,511**	**11,133,800**	**(2,316)**	**11,928,995**
Financial Derivative Assets (9)	14,804,346	26,844,874	782,678	42,431,898
Financial Derivative Liabilities (9)	14,006,835	15,711,074	784,994	30,502,903
Non-Cash Loans (10)	6,880,451	5,459,747	904,769	13,244,967
Prior Period				
Total Assets	18,641,733	10,454,622	3,579,010	32,675,365
Total Liabilities	15,077,986	23,650,644	3,560,926	42,289,556
Net Balance Sheet Position	3,563,747	(13,196,022)	18,084	(9,614,191)
Net Off-Balance Sheet Position	(3,989,557)	14,029,951	(27,304)	10,013,090
Financial Derivative Assets (9)	9,515,256	27,120,475	892,119	37,527,850
Financial Derivative Liabilities (9)	13,504,813	13,090,524	919,423	27,514,760
Non-Cash Loans (10)	6,531,063	5,941,120	896,004	13,368,187

(1) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey includes the balances of expected credit losses amounting to TL 1,890.
(2) The banks include TL 9,059 of expected credit loss provisions.
(3) Foreign currency indexed loans amounting to TL 495,451 (31 December 2018: TL 1,337,691) are included in the loan portfolio. Also, it includes TL 368,603 amounting to expected credit loss.
(4) Financial assets at amortized cost includes expected credit loss amounting to TL 305.
(5) TL 14,112 (31 December 2018: None) income accruals from derivative financial instruments is deducted from derivative financial assets held for risk management.
(6) TL 184,862 (31 December 2018: TL 200,454) income accruals from derivative financial instruments is deducted from other assets.
(7) Precious metal accounts amounting to TL 2,349,023 (31 December 2018: TL 1,182,236) are included in the foreign currency deposits.
(8) TL 90,922 (31 December 2018: TL 70,397) expense accruals from derivative financial instruments are deducted from other liabilities.
(9) Forward asset and marketable securities purchase-sale commitments of TL 1,395,075 (31 December 2018: TL 1,076,006) are added to derivative financial assets and TL 883,345 (31 December 2018: TL 970,306) has been added to derivative financial assets.
(10) There is no effect on the net off-balance sheet position.

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

V. Explanations Related to Interest Rate Risk

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

The priority of the risk management department is to protect from interest rate volatility. Duration, maturity and sensitivity analysis performed within this context are calculated by the risk management department and reported to the Liquidity Risk and Asset-Liability Committee.

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

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

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

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing[1]	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey[2]	8,951,411	-	-	-	-	3,002,600	11,954,011
Banks[3]	6,057,109	-	-	-	-	2,485,247	8,542,356
Financial Assets at Fair Value Through Profit and Loss	180,593	132,240	55,307	669,506	132,752	125,025	1,295,423
Money Market Placements	840,263	-	-	-	-	(29)	840,234
Financial Assets at Fair Value Through Other Comprehensive Income[4]	1,057,349	529,972	523,340	2,416,056	1,005,005	7,895	5,539,617
Loans[5]	16,882,302	4,579,167	11,359,041	28,333,166	3,917,453	506,014	65,577,143
Financial Assets Measured at Amortized Cost[6]	164,665	796,314	2,075,934	1,699,969	169,736	(1,104)	4,905,514
Other Assets	105,790	7,652	315,615	948,324	94,067	7,224,422	8,695,870
Total Assets	**34,239,482**	**6,045,345**	**14,329,237**	**34,067,021**	**5,319,013**	**13,350,070**	**107,350,168**
Liabilities							
Bank Deposits	362,573	-	-	-	-	23,739	386,312
Other Deposits	49,530,928	4,829,633	677,235	7,293		16,762,927	71,808,016
Money Market Borrowings	1,644,665	-	-	-	-	-	1,644,665
Miscellaneous Payables	-	-	-	-	-	-	-
Securities Issued	1,692,304	641,573	-	-	-	-	2,333,877
Funds Provided From Other Financial Institutions	1,736,892	2,987,103	5,676,760	100,473	1,266,257	-	11,767,485
Other Liabilities	23,862	117	711,943	2,330,152	86,263	16,257,476	19,409,813
Total Liabilities	**54,991,224**	**8,458,426**	**7,065,938**	**2,437,918**	**1,352,520**	**33,044,142**	**107,350,168**
Balance Sheet Long Position	-	-	7,263,299	31,629,103	3,966,493	-	42,858,895
Balance Sheet Short Position	(20,751,742)	(2,413,081)	-	-	-	(19,694,072)	(42,858,895)
Off-Balance Sheet Long Position	5,720,979	4,734,356	-	-	-	-	10,455,335
Off-Balance Sheet Short Position	-	-	(4,006,053)	(5,678,954)	(623,850)	-	(10,308,857)
Total Position	**(15,030,763)**	**2,321,275**	**3,257,246**	**25,950,149**	**3,342,643**	**(19,694,072)**	**146,478**

[1]The expected loss provisions are presented under the "Non-Interest Bearing" column.
[2]Cash and cash equivalents include cash balances (cash in hand, cash in hand, cash in the safe deposit box, purchased checks) and the Central Bank of Turkey's outstanding loss provisions in the amount of TL 1,959
[3]The banks include TL 9,809 of expected loss provisions.
[4]Receivables from money markets includes the expected losses provisions amounting to TL 29.
[5]The revolving loans amounting to TL 7,177,755 (31 December 2018: TL 7,205,162) are presented under the "Up to 1 Month" column. It includes expected loss provisions amounting to TL3,640,892.
[6]Financial assets at amortized cost include losses amounting to TL 1,104.

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

V. Explanations Related to Interest Rate Risk (continued)

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL 877,782 intangible assets amounting to TL 555,886, subsidiaries amounting to TL 115,962 and entities under common control (joint vent.) amounting to TL 5, assets held for sale amounting to TL 131,362while other liabilities line includes the shareholders' equity of TL 9,720,574.

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	12,069,370	-	-	-	-	3,591,682	15,661,052
Banks	2,946,059	-	-	-	-	972,377	3,918,436
Financial Assets at Fair Value Through Profit and Loss	56,889	18,679	18,937	117,376	316,013	88,680	616,574
Money Market Placements	281,696	-	-	-	-	-	281,696
Financial Assets at Fair Value Through Other Comprehensive Income	496,598	156,047	1,642,804	608,100	382,198	5,610	3,291,357
Loans [(1)]	16,238,534	5,258,061	12,002,096	24,529,354	4,844,969	1,125,809	63,998,823
Financial Assets Measured at Amortized Cost	51,006	777,955	1,963,119	-	-	-	2,792,080
Other Assets	245,013	83,555	378,505	1,313,595	31,531	4,384,947	6,437,146
Total Assets	**32,385,165**	**6,294,297**	**16,005,461**	**26,568,425**	**5,574,711**	**10,169,105**	**96,997,164**
Liabilities							
Bank Deposits	227,383	-	-	-	-	47,697	275,080
Other Deposits	41,252,575	8,292,678	2,790,922	8,753	-	11,597,158	63,942,086
Money Market Borrowings	62,543	-	-	-	-	-	62,543
Miscellaneous Payables	-	-	-	-	-	-	-
Securities Issued	368,498	158,094	-	-	-	-	526,592
Funds Provided From Other Financial Institutions	2,369,599	3,406,012	6,831,921	121,305	1,880,474	-	14,609,311
Other Liabilities	84,363	178,702	187,209	932,224	11,292	16,187,762	17,581,552
Total Liabilities	**44,364,961**	**12,035,486**	**9,810,052**	**1,062,282**	**1,891,766**	**27,832,617**	**96,997,164**
Balance Sheet Long Position	-	-	6,195,409	25,506,143	3,682,945	-	35,384,497
Balance Sheet Short Position	(11,979,796)	(5,741,189)	-	-	-	(17,663,512)	(35,384,497)
Off-Balance Sheet Long Position	13,311,342	-	-	-	-	-	13,311,342
Off-Balance Sheet Short Position	-	(1,554,023)	(5,253,328)	(5,630,348)	(123,999)	-	(12,561,698)
Total Position	**1,331,546**	**(7,295,212)**	**942,081**	**19,875,795**	**3,558,946**	**(17,663,512)**	**749,644**

(1) Revolving loans amounting to TL 7,205,162 are included in "Up to 1 Month".

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL 292,290 intangible assets amounting to TL 528,440, subsidiaries amounting to TL 115,986 and entities under common control (joint vent.) amounting to TL 5, assets held for sale amounting to TL 109,104 while other liabilities line includes the shareholders' equity of TL 9,738,508.

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

V. Explanations Related to Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

	EUR %	USD %	YEN %	TL %
End of Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	10.00
Banks	-	1.59	-	11.43
Financial Assets at Fair Value Through Profit and Loss	1.52	4.89	-	8.66
Money Market Placements	-	-	-	11.46
Financial Assets at Fair Value Through Other Comprehensive Income	2.11	4.57	-	13.83
Loans	3.23	4.95	5.28	16.42
Financial Assets Measured at Amortized Cost	2.48	4.51	-	14.63
Liabilities				
Bank Deposits	-	1.40	-	5.10
Other Deposits	0.16	1.86	0.25	10.26
Money Market Borrowings	-	-	-	11.02
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	12.05
Funds Provided From Other Financial Institutions	2.16	5.65	-	12.31

	EUR %	USD %	YEN %	TL %
End of Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	2.00	-	13.00
Banks	(0.55)	2.30	-	24.09
Financial Assets at Fair Value Through Profit and Loss	4.89	6.53	-	18.54
Money Market Placements	-	-	-	25.47
Financial Assets at Fair Value Through Other Comprehensive Income	2.77	6.67	-	23.08
Loans	3.66	6.24	5.15	20.05
Financial Assets Measured at Amortized Cost	-	-	-	22.21
Liabilities				
Bank Deposits	-	-	-	14.08
Other Deposits	1.34	3.77	1.57	22.01
Money Market Borrowings	-	3.10	-	25.03
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	24.40
Funds Provided From Other Financial Institutions	1.76	5.23	-	11.84

Interest rate risk arising from banking accounts:

a) Significant assumptions and frequency of measurement of interest rate risk, including the nature of interest rate risk arising from banking accounts and those related to the movement of deposits other than loan early repayments and time deposits:

Interest rate risk arising from banking accounts is monitored through different scenarios, and the interest risk exposed by presenting the results to the relevant committees is evaluated from different perspectives. There is a limit determined by the Board of Directors regarding the risk amount. It is taken care to ensure a certain harmony between assets and liabilities on the basis of currency, taking into account the market expectations of the bank.

Early repayment rates of loans were determined by examining historic the reaction of housing loans to interest movements in the previous periods. By analyzing the movements of demand deposits on the basis of branches and accounts, it has been determined the duration of demand deposits that remain in the Bank on account basis. Assumptions accepted in parallel with the results reached are reflected in the above mentioned products in interest rate sensitivity calculations.

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

V. Explanations Related to Interest Rate Risk (continued)

Interest rate risk arising from banking accounts: (continued)

b) Economic value differences arising from fluctuations in interest rates in accordance with the "Regulation on Measurement and Evaluation of Interest Rate Risk Arising from Banking Accounts by Standard Shock Method":

Currency	Applied shock (+/- x base point)	Gains/ (Losses)	Gains /Equity– (Losses)/ Equity
TL	(400)	828,119	5.78%
TL	500	(935,100)	(6.52)%
EURO	(200)	100,615	0.70%
EURO	200	(83,923)	(0.59)%
USD	(200)	(66,370)	(0.46)%
USD	200	66,387	0.46%
Total (For negative shocks)	**(800)**	**862,364**	**6.01%**
Total (For positive shocks)	**900**	**(952,636)**	**(6.64)%**

VI. Explanations Related to Certificates Share Position Risk from Banking Book:

Equity securities which are not publicly traded in the Bank's financial statements are booked as their fair value, or otherwise booked as their cost value whereby fair value can not be calculated properly.

The Bank does not have any shares traded in Borsa Istanbul.

VII. Explanations Related to Liquidity Risk and Liquidity Coverage Ratio

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

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

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

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

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

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

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

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

While the Bank tries to diversify its funding resources, it also tries to extend its payment terms. Customer deposits are the bank's main funding resource. Our main strategy for deposit management is to be inclusive while extending the average maturity. In addition to borrowings from money markets and collecting deposit, the Bank uses instruments such as long-term syndicated loans, securities issued in TL and foreign currency to diversify funding resources.

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

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

e) Information on liquidity risk mitigation techniques:

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

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

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

f) Explanation on the usage of the stress test:

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

g) General information on liquidity emergency and contingency plans:

The extraordinary liquidity situation is evaluated to determine;

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

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

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

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

VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio:

		Rate of Percentage to Be Taken into Account not Implemented Total Value(*)		Rate of Percentage to Be Taken into Account Implemented Total Value(*)	
Current Period – 31 December 2019		**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets					
1	High Quality Liquid Assets			22,314,509	14,243,288
Cash Outflows					
2	Real Person and Retail Deposits	52,470,993	25,987,479	4,616,009	2,598,748
3	Stable Deposits	12,621,803	-	631,090	-
4	Less Stable Deposits	39,849,190	25,987,479	3,984,919	2,598,748
5	Unsecured Debts Other than Real Person and Retail Deposits	21,413,624	11,074,642	11,928,061	5,872,051
6	Operational Deposits	70,441	-	17,610	-
7	Non-Operational Deposits	16,335,675	8,860,962	6,932,951	3,658,371
8	Other Unsecured Funding	5,007,508	2,213,680	4,977,500	2,213,680
9	Secured Funding			-	-
10	Other Cash Outflows	1,576,774	2,328,433	1,576,774	2,328,433
11	Outflows Related to Derivative Exposures and Other Collateral Requirements	1,576,774	2,328,433	1,576,774	2,328,433
12	Outflows Related to Restructured Financial Instruments	-	-	-	-
13	Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Markets	-	-	-	-
14	Other Revocable Off-Balance Sheet Commitments and Contractual Obligations	-	-	-	-
15	Other Irrevocable or Conditionally Revocable Off-Balance Sheet Obligations	32,629,677	10,716,211	2,666,309	1,124,445
16	**Total Cash Outflows**			**20,787,153**	**11,923,677**
Cash Inflows					
17	Secured Receivables	-	-	-	-
18	Unsecured Receivables	12,666,308	5,508,103	9,352,475	4,874,984
19	Other cash Inflows	1,731,364	8,382,892	1,731,364	8,382,892
20	**Total Cash Inflows**	**14,397,672**	**13,890,995**	**11,083,839**	**13,257,876**
				Values to which the upper limit is applied	
21	**Total High Quality Liquid Assets**			**22,314,509**	**14,243,288**
22	**Total Net Cash Outflows**			**9,703,314**	**2,980,919**
23	**Liquidity Coverage Ratio (%)**			**229.97**	**477.82**

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

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

VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio: (continued)

		Rate of Percentage to Be Taken into Account not Implemented Total Value(*)		Rate of Percentage to Be Taken into Account Implemented Total Value(*)	
Prior Period – 31 December 2018		**TL+FC**	**FC**	**TL+FC**	**TL**
High Quality Liquid Assets					
1	High Quality Liquid Assets			19,863,412	12,787,421
Cash Outflows					
2	Real Person and Retail Deposits	46,047,668	19,001,748	4,231,081	1,900,175
3	Stable Deposits	7,473,714	-	373,686	-
4	Less Stable Deposits	38,573,954	19,001,748	3,857,395	1,900,175
5	Unsecured Debts Other than Real Person and Retail Deposits	20,490,098	11,165,935	10,525,594	5,868,710
6	Operational Deposits	77,909	-	19,477	-
7	Non-Operational Deposits	17,138,861	9,048,318	7,263,320	3,751,093
8	Other Unsecured Funding	3,273,328	2,117,617	3,242,797	2,117,617
9	Secured Funding	-	-	-	-
10	Other Cash Outflows	2,330,531	4,885,588	2,330,531	4,885,588
11	Outflows Related to Derivative Exposures and Other Collateral Requirements	2,330,531	4,885,588	2,330,531	4,885,588
12	Outflows Related to Restructured Financial Instruments	-	-	-	-
13	Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Markets	-	-	-	-
14	Other Revocable Off-Balance Sheet Commitments and Contractual Obligations	-	-	-	-
15	Other Irrevocable or Conditionally Revocable Off-Balance Sheet Obligations	30,608,384	11,731,104	2,523,910	1,141,458
16	**Total Cash Outflows**			**19,611,116**	**13,795,931**
Cash Inflows					
17	Secured Receivables	-	-	-	-
18	Unsecured Receivables	15,351,445	9,923,979	12,307,906	9,191,743
19	Other cash Inflows	604,281	7,531,871	604,281	7,531,871
20	**Total Cash Inflows**	**15,955,726**	**17,455,850**	**12,912,187**	**16,723,614**
				Values to which the upper limit is applied	
21	**Total High Quality Liquid Assets**			**19,863,412**	**12,787,421**
22	**Total Net Cash Outflows**			**6,698,929**	**3,448,983**
23	**Liquidity Coverage Ratio (%)**			**296.52**	**370.76**

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

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

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

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

VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio: (continued)

There are concentration limits on funding sources approved by Board of Directors. Diversification of funding base of deposits, funding from Group, borrowing, repo and other long term liabilities; and funding limits by product type are monitored and reported.

Liquidity management of subsidiaries are managed by individual legal entities. Although liquidity coverage ratio is reported on a basis, there is no centralized liquidity management system. Finally, there is no other significant cash inflow or outflow item which are not required by section two of communiqué.

The weeks with lowest and highest liquidity coverage ratio for the last three months calculated by using weekly simple arithmetic averages are presented below:

	Current Period		Prior Period	
	TL+FC	**FC**	**TL+FC**	**FC**
Lowest	153.35%	358.28%	251.23%	282.54%
Week	4.10.2019	18.10.2019	09.11.2018	26.10.2018
Highest	375.55%	610.47%	412.39%	495.66%
Week	6.12.2019	6.12.2019	21.12.2018	14.12.2018

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

VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio: (continued)

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Undistributed (1)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey(2)	3,004,559	8,951,411	-	-	-	-	(1,959)	11,954,011
Banks(3)	2,495,056	6,057,109	-	-	-	-	(9,809)	8,542,356
Financial Assets at Fair Value Through Profit and Loss	-	1,018	132,240	7,539	896,848	132,753	125,025	1,295,423
Money Market Placements(4)	-	840,263	-	-	-	-	(29)	840,234
Financial Assets at Fair Value Through Other Comprehensive Income	7,895	21,593	529,972	820,187	2,757,434	1,402,536	-	5,539,617
Loans(4)	-	16,391,161	4,579,167	11,322,142	28,861,206	3,917,453	506,014	65,577,143
Financial Assets Measured at Amortized Cost(5)	-	-	643,151	377,217	3,665,566	220,684	(1,104)	4,905,514
Other Assets	-	1,016,563	69,900	405,800	1,008,985	94,067	6,100,555	8,695,870
Total Assets	**5,507,510**	**33,279,118**	**5,954,430**	**12,932,885**	**37,190,039**	**5,767,493**	**6,718,693**	**107,350,168**
Liabilities								
Bank Deposits	23,739	362,573	-	-	-	-	-	386,312
Other Deposits	16,762,927	49,529,146	4,829,381	679,269	7,293	-	-	71,808,016
Funds Provided From Other Financial Institutions	-	1,031,444	378,656	7,036,595	130,287	3,190,503	-	11,767,485
Money Market Placements	-	1,644,665	-	-	-	-	-	1,644,665
Securities Issued	-	1,692,304	641,573	-	-	-	-	2,333,877
Miscellaneous Payables	-	-	-	-	-	-	-	-
Other Liabilities	-	4,823,754	91,263	841,197	2,655,037	452,006	10,546,556	19,409,813
Total Liabilities	**16,786,666**	**59,083,886**	**5,940,873**	**8,557,061**	**2,792,617**	**3,642,509**	**10,546,556**	**107,350,168**
Liquidity Gap	**(11,279,156)**	**(25,804,768)**	**13,557**	**4,375,824**	**34,397,422**	**2,124,984**	**(3,827,863)**	**-**
Net Off-Balance Sheet Position	**-**	**217,295**	**(20,526)**	**21,127**	**62,051**	**1,665**	**-**	**281,612**
Financial Derivative Assets	-	18,322,414	6,162,762	13,378,270	15,125,169	3,374,022	-	56,362,637
Financial Derivative Liabilities	-	18,105,119	6,183,288	13,357,143	15,063,118	3,372,357	-	56,081,025
Non-Cash Loans	6,078,123	942,642	2,658,433	5,667,723	7,028,565	-		22,375,486
Prior Period								
Total Assets	4,569,669	31,979,084	5,802,469	14,035,118	29,573,845	6,509,223	4,527,756	96,997,164
Total Liabilities	11,644,855	48,278,549	11,799,850	10,599,993	1,420,836	2,854,441	10,398,640	96,997,164
Liquidity Gap	(7,075,186)	(16,299,465)	(5,997,381)	3,435,125	28,153,009	3,654,782	(5,870,884)	-
Net Off-Balance Sheet Position	**-**	**147,524**	**(56,654)**	**(3,761)**	**375,087**	**1,838**	**-**	**464,034**
Financial Derivative Assets	-	13,461,374	10,708,847	16,665,546	14,044,584	646,865	-	55,527,216
Financial Derivative Liabilities	-	13,313,850	10,765,501	16,669,307	13,669,497	645,027	-	55,063,182
Non-Cash Loans	6,070,838	1,470,618	2,589,098	5,765,025	6,774,921	-		22,670,500

(1) The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and loans under follow-up, are classified as under undistributed.

(2) Cash and cash equivalents include cash balances (cash in hand, cash in hand, cash in the safe deposit box, purchased checks) and the Central Bank of Turkey's outstanding loss provisions amounting to TL 1,959.

(3) The banks include TL 9,809 of expected loss provisions.

(4) Receivables from money markets includes the expected losses provisions amounting to TL 29.

(5) The revolving loans amounting to TL 7,177,755 (31 December 2018: TL 7,205,162) are presented under the "Up to 1 Month" column. It includes expected loss provisions amounting to TL 3,640,892.

(6) Financial assets at amortized cost include losses amounting to TL 1,104.

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

VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (continued)

Analysis of financial liabilities by remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated	Total
31 December 2019								
Money Market Borrowings	-	1,644,941	-	-	-	-	(276)	1,644,665
Other Deposits	16,762,927	49,590,016	4,856,525	702,372	8,133	-	(111,957)	71,808,016
Banks Deposits	23,739	362,650	-	-	-	-	(77)	386,312
Funds From Other Financial Institutions	-	1,058,591	400,531	7,466,273	1,197,495	4,214,894	(2,570,299)	11,767,485
Total	**16,786,666**	**52,656,198**	**5,257,056**	**8,168,645**	**1,205,628**	**4,214,894**	**(2,682,609)**	**85,606,478**
31 December 2018								
Money Market Borrowings	-	62,586	-	-	-	-	(43)	62,543
Other Deposits	11,597,158	41,406,134	8,487,709	3,033,077	10,606	-	(592,598)	63,942,086
Banks Deposits	47,697	227,557	-	-	-	-	(174)	275,080
Funds From Other Financial Institutions	-	1,946,439	2,747,162	7,335,274	543,770	4,446,642	(2,409,976)	14,609,311
Total	**11,644,855**	**43,642,716**	**11,234,871**	**10,368,351**	**554,376**	**4,446,642**	**(3,002,791)**	**78,889,020**

Analysis of contractual maturity of the Bank's derivative financial instruments:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated
31 December 2019						
Derivative financial instruments for hedging purposes						
Fair Value Hedge	-	935,776	-	804,408	-	1,740,184
Cash Flow Hedge	617,006	335,892	4,195,289	6,305,070	107,140	11,560,397
Trading Transactions						
Forward foreign exchange agreement	1,738,432	1,661,071	1,479,351	466,529	-	5,345,383
Swap money selling agreement	13,932,004	2,992,549	5,848,387	6,105,848	2,806,467	31,685,255
Swap interest agreement	26,051	14,667	105,270	142,349	9,818	298,155
Futures monetary agreement	-	-	-	35,164	-	35,164
Money exchange options contract	1,709,590	1,694,963	743,905	62,871	-	4,211,329
Total	**18,023,083**	**7,634,918**	**12,372,202**	**13,922,239**	**2,923,425**	**54,875,867**
31 December 2018						
Derivative financial instruments for hedging purposes						
Fair Value Hedge	-	-	-	-	-	-
Cash Flow Hedge	1,478,649	1,269,268	992,614	1,429,446	133,980	5,303,957
Trading Transactions						
Forward foreign exchange agreement	1,420,228	1,571,984	2,149,526	735,469	-	5,877,207
Swap money selling agreement	7,774,826	7,166,400	7,779,132	8,143,920	179,003	31,043,281
Swap interest agreement	1,807	783	15,680	106,620	5,816	130,706
Futures monetary agreement	-	-	-	-	-	-
Money exchange options contract	1,523,162	2,271,203	2,508,514	11,330	-	6,314,209
Total	**12,198,672**	**12,279,638**	**13,445,466**	**10,426,785**	**318,799**	**48,669,360**

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

VIII. Explanations Related to Leverage Ratio

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

There is an increase in the leverage ratio in line with the decrease in derivative risk and main capital increase.

b) Leverage ratio:

	Assets on the Balance Sheet	**Current Period(*)**	**Prior Period(*)**
1	Assets on the Balance Sheet (Excluding Derivative Financial Instruments and Loan Derivatives, Including Collaterals)	103,210,045	97,481,641
2	(Assets Deducted from Core Capital)	(580,323)	(556,281)
3	Total Risk Amount for Assets on the Balance Sheet	102,629,722	96,925,360
	Derivative Financial Instruments and Credit Derivatives		
4	Renewal Cost of Derivative Financial Instruments and Loan Derivatives	438,483	2,799,266
5	Potential Credit Risk Amount of Derivative Financial Instruments and Loan Derivatives	560,417	728,753
6	Total Risk Amount of Derivative Financial Instruments and Loan Derivatives	998,900	3,528,019
	Financing Transactions With Securities Or Goods Warranties		
7	Risk Amount of Financial Transactions with Securities or Goods Warranties (Excluding Those in the Balance Sheet)	3,323	-
8	Risk Amount Arising from Intermediated Transactions	-	-
9	Total Risk Amount of Financing Transactions with Securities or Goods Warranties	3,323	-
	Off-the-Balance Sheet Transactions		
10	Gross Nominal Amount of the Off-Balance Sheet Transactions	46,734,215	41,032,512
11	(Adjustment Amount Arising from Multiplying by the Credit Conversion Rate)	-	-
12	Total Risk Amount for Off-Balance Sheet Transactions	46,734,215	41,032,512
	Capital and Total Risk		
13	Tier 1 Capital	10,224,843	9,294,595
14	Total Risk Amount	150,366,160	141,485,891
	Leverage Ratio		
15	Leverage Ratio	6.80%	6.57%

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

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

IX. Explanations on the Presentation of Financial Assets and Liabilities at Their Fair Values

The table below shows the book value and fair value of financial assets and liabilities that are not shown at the fair value of the Bank's financial statements.

	Carrying Value		Fair Value	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Financial Assets	**85,404,864**	**74,282,392**	**87,155,529**	**72,123,860**
Receivables From Money Markets	840,234	281,696	840,234	281,696
Banks	8,542,356	3,918,436	8,542,356	3,918,436
Financial Assets at Fair Value Through Other Comprehensive Income	5,539,617	3,291,357	5,539,617	3,291,357
Financial Assets Valued Over Amortized Cost	4,905,514	2,792,080	5,032,899	2,771,118
Loans	65,577,143	63,998,823	67,200,423	61,861,253
Financial Liabilities	**91,123,255**	**81,727,766**	**91,289,902**	**82,314,177**
Banks Deposits	386,312	275,080	386,312	275,080
Other Deposits	71,808,016	63,942,086	71,903,320	64,471,685
Funds Received From Other Financial Institutions (*)	13,412,150	14,671,854	13,483,493	14,728,666
Securities Issued	2,333,877	526,592	2,333,877	526,592
Miscellaneous Payables	3,182,900	2,312,154	3,182,900	2,312,154

(*) Debts to money markets and subordinated loans are included in the line of funds from other financial institutions.

Investment securities in the current period include financial assets valued at their amortized cost and at fair value through other comprehensive income. The fair value of assets held to maturity assets are determined based on market prices or quoted market prices of other securities subject to redemption in terms of interest, maturity and other similar circumstances, where their prices cannot be determined.

Due to the fact that demand deposits, variable rate placements and overnight deposits are short-term, hence their carrying value reflects their fair value. Estimated fair value of fixed interest deposits and funds provided from other financial institutions, is calculated with the presence of discounted cash flow using the current interest rates used for other debts of similar quality and similar maturity structure; by finding the discounted cash flow using the fair value of loans and the current interest rates used for receivables with similar and similar maturities. As the miscellaneous debts are short term, their carrying value approximately reflects their fair value.

The fair value of financial assets and liabilities are determined as follows:

- First level: Financial assets and liabilities are valued at the stock market prices traded in the active market for the same assets and liabilities.

- Second level: Financial assets and liabilities are valued from the inputs used to find the price of the relevant asset or liability directly or indirectly, which can be observed in the market other than the stock exchange price specified in the first level.

- Third level: Financial assets and liabilities are valued from inputs that are not based on any observable data in the market used to find the fair value of the asset or liability.

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

IX. Explanations on the Presentation of Financial Assets and Liabilities at Their Fair Values

The following table contains the analysis of the fair values of the financial instruments carried at fair values, including the stock market prices, valuation techniques, all model data of which can be measured in the market, or using valuation techniques whose data cannot be measured in the market:

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets	**6,681,437**	**2,016,319**	**48,833**	**8,746,589**
Financial Assets at Fair Value Through Profit or Loss	*1,170,398*	*1,754,129*	*40,938*	*2,965,465*
- Government Debt Securities	*1,167,994*	-	-	*1,167,994*
Derivative Financial Assets at Fair Value Through Profit or Loss	-	*1,670,042*	-	*1,670,042*
Financial Assets at Fair Value Through Other Comprehensive Income	*2,404*	*84,087*	*40,938*	*127,429*
Derivative Financial Assets for Hedging Purposes	-	*241,507*	-	*241,507*
Financial Assets at Fair Value Through Other Comprehensive Income	*5,511,039*	*20,683*	*7,895*	*5,539,617*
Government Debt Securities	*5,511,039*	*20,683*	-	*5,531,722*
Other Fair Value Differences Financial Assets Reflected to Other Comprehensive Income	-	-	*7,895*	*7,895*
Financial Liabilities	**-**	**3,511,558**	**-**	**3,511,558**
Derivative Financial Liabilities at Fair Value Through Profit or Loss	-	1,586,584	-	1,586,584
Derivative Financial Liabilities for Hedging Purposes	-	1,924,974	-	1,924,974

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets	**3,793,605**	**3,185,799**	**41,803**	**7,021,207**
Financial Assets at Fair Value Through Profit or Loss	*527,894*	*2,663,284*	*36,193*	*3,227,371*
- Government Debt Securities	*527,894*	-	-	*527,894*
Derivative Financial Assets at Fair Value Through Profit or Loss	-	*2,610,797*	-	*2,610,797*
Financial Assets at Fair Value Through Other Comprehensive Income	-	*52,487*	*36,193*	*88,680*
Derivative Financial Assets for Hedging Purposes	-	*502,479*	-	*502,479*
Financial Assets at Fair Value Through Other Comprehensive Income	*3,265,711*	*20,036*	*5,610*	*3,291,357*
Government Debt Securities	*3,265,711*	*20,036*	-	*3,285,747*
Other Fair Value Differences Financial Assets Reflected to Other Comprehensive Income	-	-	*5,610*	*5,610*
Financial Liabilities	**-**	**2,764,943**	**-**	**2,764,943**
Derivative Financial Liabilities at Fair Value Through Profit or Loss	-	2,375,761	-	2,375,761
Derivative Financial Liabilities for Hedging Purposes	-	389,182	-	389,182

There is no transition between levels in the current year.

X. Explanations Related to Transaction Carried Out on Behalf of Other Parties and Fiduciary Assets

The Bank performs buying transactions on behalf of customers, and gives custody, administration and advisory services.

The Bank does not deal with fiduciary transactions.

XI. Explanations Related to Risk Management

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

XI. Explanations Related to Risk Management (continued)

1. Risk management approach and Risk Weighted Amounts

1.1 Bank's risk management approach

The objective of the Risk Management system is to provide that the risks that are derived from the bank's activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Risk Management functions of the Bank and all of its subsidiaries have been gathered under the Group Risk Management. Group Risk Management reports to the Boards of Directors of TEB Group through the Audit Committee within the TEB A.Ş. and is responsible for fulfilling its duties of general supervision, notification and recommendation on behalf of the Boards of Directors in line with the principles laid down in this Regulation.

With Risk Policies, the Bank aims to,

i) Identify the main risks to which bank is exposed and identified risks are within the controlled range,

ii) Define roles and responsibilities to identify, analyse, measure, monitor, and control the main risks bank faces and other risks which may arise as a consequence of changes in activity structure and economic conditions,

iii) Identify the volume of transactions which may cause non-controllable risks by considering equity strength or decrease the activities affected by such risks.

Risk policies and the procedures related there to contain written standards set by the Board of Directors and the "Senior Management" consisting of General Manager, Assistant General Managers and Chief Risk Officer.

Risk policies and related procedures are prepared in compliance with the Banking Law, external legislation and general banking practices and presented to the Senior Management / Board of Directors for approval.

It is the principal duty of all managers of the Bank to provide compliance with risk policies containing the criteria required for each unit.

Risk Management Operations consist of;

i) risk measurement,
ii) monitoring of risks,
iii) control of risk and reporting operations

Risk management operations are conducted by Group Risk Management and personnel.

Group Risk Management applies second order controls for quantifiable risks as part of continuous control system.

Head of Group Risk Management reports to the Board of Directors via Audit Committee

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

XI. Explanations Related to Risk Management (continued)

1. Risk management approach and Risk Weighted Amounts (continued)

1.2 Overview of Risk Weighted Amounts

		Risk Weighted Amounts		Minimum capital Requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (Excluding Counterparty Credit Risk) (CCR)	73,382,817	66,532,643	5,870,625
2	Of which Standardized Approach (SA)	73,382,817	66,532,643	5,870,625
3	Of which Internal Rating-Based (IRB) Approach	-	-	-
4	Counterparty Credit risk	1,203,770	1,306,710	96,302
5	Of which Standardized Approach for Counterparty Credit Risk (SA-CCR)	1,203,770	1,306,710	96,302
6	Of which Internal Model Method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity Investment in Funds - Look-Through Approach	-	-	-
9	Equity Investment in Funds - Mandate-Based Approach	-	-	-
10	Equity Investment in Funds - 1250% Weighted Risk Approach	-	-	-
11	Settlement Risk	-	-	-
12	Securitization Positions in banking accounts	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	1,649,750	706,725	131,980
17	Of which Standardized approach (SA)	1,649,750	706,725	131,980
18	Of which Internal model approaches (IMM)	-	-	-
19	Operational Risk	8,372,744	7,395,528	669,820
20	Of which Basic Indicator Approach	8,372,744	7,395,528	669,820
21	Of which Standard Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts Below the Thresholds for Deduction (Subject to a 250% Risk Weight)	-	-	-
24	Floor Adjustment	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**84,609,081**	**75,941,606**	**6,768,727**

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

XI. Explanations Related to Risk Management (continued)

2. Linkages Between Financial Statements and Regulatory Exposures

2.1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

		Carrying value of items			
Current Period	**Carrying values as reported in published financial statements (*)**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the market risk framework (**)**	**Not subject to capital requirements or subject to deduction from capital**
Assets					
Cash Values and Central Bank	11,955,970	11,955,970	-	-	-
Banks	8,552,165	8,553,619	-	-	-
Receivables From Money Markets	840,263	-	840,263	-	-
Financial Assets at Fair Value through Profit Loss	1,295,423	125,026	-	1,170,397	-
Financial Assets at Fair Value Through Other Comprehensive Income	5,539,617	5,539,546	-	-	-
Financial Assets Measured by Amortized Cost	4,906,618	4,906,618	-	-	-
Part of Derivative Financial Assets at Fair Value Through Profit Loss	1,670,042	-	1,670,042	1,670,042	-
The Fair Value Differences of Derivative Financial Assets Reflected to Other Comprehensive Income	241,507	-	241,507	241,507	-
Frozen Financial Assets	-	-	-	-	-
Expected Loss Reserves (-)	3,653,793	2,352,545	-	-	-
Credits	69,218,035	69,218,035	-	-	-
Factoring Receivables	-	-	-	-	-
Non-Current Assets Held For Sale and Discontinued Operations (Net)	131,362	131,362	-	-	-
Affiliates (Net)	-	-	-	-	-
Subsidiaries (Net)	115,986	115,986	-	-	-
Joint Ventures (Joint Ventures) (Net)	5	5	-	-	-
Property, Plant and Equipment (Net)	877,782	832,905	-	-	44,877
Intangible Assets (Net)	555,886	-	-	-	555,885
Investment Properties (Net)	-	-	-	-	-
Current Tax Asset	10,958	10,958	-	-	-
Deferred Tax Asset	650,094	650,094	-	-	-
Other Assets (*)	4,442,248	2,554,356	1,889,567	531	-
Total assets	**107,350,168**	**102,241,935**	**4,641,379**	**3,082,477**	**600,762**
Liabilities					
Deposit	72,194,328	-	-	-	-
Loans received	8,576,982	-	-	-	-
Debts to money markets	1,644,665	-	1,644,665	-	-
Issued securities	2,333,877	-	-	-	-
Financial Liabilities with Fair Value Differences Reflected to Profit Loss	-	-	-	-	-
Derivative Financial Liabilities	3,511,558	-	2,571,144	-	-
Factoring Obligations	-	-	-	-	-
Payables From Leasing	653,707	-	-		
Provisions	825,982	-	-	-	-
Current Tax Liability	213,516	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
Fixed asset payables related to activities held and discontinued for sale (net)	-	-	-	-	-
Subordinated loans	3,190,503	-	-	-	-
Other Liabilities	4,484,476	-	730,161	-	-
Equity	9,720,574	-	-	-	-
Total liabilities	**107,350,168**	**-**	**4,945,970**	**-**	**-**

(*) Refers to Bank's unconsolidated financial statements.

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

XI. Explanations Related to Risk Management (continued)

2. Linkages Between Financial Statements and Regulatory Exposures

2.1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

		Carrying value of items			
Prior Period	**Carrying values as reported in published financial statements (*)**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the market risk framework (**)**	**Not subject to capital requirements or subject to deduction from capital**
Assets					
Cash Values and Central Bank	15,661,052	15,661,052	-	-	-
Banks	3,918,436	3,919,503	-	-	-
Receivables From Money Markets	281,696	-	281,696	-	-
Financial Assets at Fair Value through Profit Loss	616,574	88,680	-	527,894	-
Financial Assets at Fair Value Through Other Comprehensive Income	3,291,357	3,292,097	-	-	-
Financial Assets Measured by Amortized Cost	2,792,080	2,792,080	-	-	-
Part of Derivative Financial Assets at Fair Value Through Profit Loss	2,610,797	-	2,610,797	2,610,797	-
The Fair Value Differences of Derivative Financial Assets Reflected to Other Comprehensive Income	502,479	-	502,479	502,479	-
Frozen Financial Assets	2,774,744	2,774,744	-	-	-
Expected Loss Reserves (-)	2,858,742	1,658,180	-	-	-
Credits (*)	64,073,863	64,073,863	-	-	-
Factoring Receivables	-	-	-	-	-
Non-Current Assets Held For Sale and Discontinued Operations (Net)	109,104	109,104	-	-	-
Affiliates (Net)	-	-	-	-	-
Subsidiaries (Net)	115,986	115,986	-	-	-
Joint Ventures (Joint Ventures) (Net)	5	5	-	-	-
Property, Plant and Equipment (Net)	292,290	243,336	-	-	48,954
Intangible Assets (Net)	528,440	-	-	-	528,440
Investment Properties (Net)	-	-	-	-	-
Current Tax Asset	1,358	1,358	-	-	-
Deferred Tax Asset	187,325	187,325	-	-	-
Other Assets (*)	2,098,320	1,801,457	297,053	495	-
Total assets	**96,997,164**	**93,402,410**	**3,692,025**	**3,641,665**	**577,394**
Liabilities					
Deposit	64,217,166	-	-	-	-
Loans received	11,766,163	-	-	-	-
Debts to money markets	62,543	-	62,543	-	-
Issued securities	526,592	-	-	-	-
Financial Liabilities with Fair Value Differences Reflected to Profit Loss	-	-	-	-	-
Derivative Financial Liabilities	2,764,943	-	1,807,845	-	-
Factoring Obligations	-	-	-	-	-
Provisions	660,132	-	-	-	-
Current Tax Liability	291,338	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
Fixed asset payables related to activities held and discontinued for sale (net)	-	-	-	-	-
Subordinated loans	2,843,148	-	-	-	-
Other Liabilities	4,126,631	-	466,742	-	-
Equity	9,738,508	-	-	-	-
Total liabilities	**96,997,164**		**2,337,130**	**-**	**-**

(*) Refers to Bank's unconsolidated financial statements.

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

XI. Explanations Related to Risk Management (continued)

2. Linkages Between Financial Statements and Regulatory Exposures

2.2 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Current Period	Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation**	**107,350,168**	**102,241,935**	**4,641,379**	**3,082,477**
2	Liabilities carrying value amount under regulatory scope of consolidation	4,945,970	-	4,945,970	-
3	**Total net amount under regulatory scope of consolidation**	**102,404,201**	**102,241,935**	**(304,591)**	**3,082,477**
4	Off-balance sheet amounts	96,510,498	17,225,190	567,789	-
5	Differences in valuations	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-
8	Differences due to prudential filters	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	**-**	**119,467,125**	**263,198**	**3,082,477**

	Prior Period	Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation**	**96,997,164**	**93,402,411**	**3,692,025**	**3,641,664**
2	Liabilities carrying value amount under regulatory scope of consolidation	2,337,131	-	2,337,131	-
3	**Total net amount under regulatory scope of consolidation**	**94,660,033**	**93,402,411**	**1,354,894**	**3,641,664**
4	Off-balance sheet amounts	90,528,859	16,948,427	480,953	-
5	Differences in valuations	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-
8	Differences due to prudential filters	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	**-**	**110,350,838**	**1,835,847**	**3,641,664**

2.3. Explanations of differences between accounting and regulatory exposure amounts in accordance with TAS

The market value approach is used to make valuation of the positions in the Bank portfolios. The market data sources used for valuations are identified, defined in the Market Risk Policy, and audited annually. The relevant action is taken immediately when it is determined that the data does not reflect the market condition other than annual data source evaluation. Product valuations are checked by using sources such as Reuters and Bloomberg.

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

XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure

3.1. General information about credit risk

3.1.1. General qualitative information about credit risk

The objective of the Risk Management system is to provide that the risks that are derived from the bank's activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Credit Risk Management reports aim to supply risk level trends and present risk expectations. Details and content vary depending on the requirements of meetings and are presented in graphs and figures for ease of explanation and taking decisions.

The main report presented to Senior Management is the Credit Risk General Overview report, which is prepared monthly and discussed by the Risk Policies Committee. This report is also presented to the Board of Directors and to the Audit Committee. Additionally, Group Risk Management prepares reports with special titles less frequently. Most of these reports are presented to the Risk Policies Committee. These reports may also be used in irregular meetings where emergent subjects are discussed or in meetings where the attendance of Senior Management is not required.

Credit risk policies are prepared in line with the Banking Law, external regulations, and general banking practices, and are approved by the Risk Policies Committee, Audit Committee, and Board of Directors. The Bank's credit activities are managed according to the General Credit Policy that is approved by the Risk Policies Committee and the Board of Directors.

The risk appetite declaration is approved by the Board of Directors and audited once a year. The Bank combines existing risk management tools, processes, principles, and policies, using a consistent approach with risk appetite declaration, and ensures that risks taken are within the agreed upon limits. In this way, the consistency of risk practices is improved across the Bank.

The Bank controls the credit risk by monitoring loan receivables, limiting certain transactions with counter parties, evaluating the creditworthiness of the counter party regularly, diversifying loan types and products separately based on customer groups and industry to prevent the concentration of deferred payments and receiving guarantees when appropriate.

3.1.2. Credit quality of assets

Current Period	Gross carrying value in unconsolidated financial statements prepared as per TAS		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans	4,146,906	65,071,129	3,640,892	65,577,143
Debt Securities	-	10,438,340	1,104	10,437,236
Off-balance sheet exposures	-	42,657,485	243,480	42,414,005
Total	**4,146,906**	**118,166,954**	**3,885,476**	**118,428,384**

Prior Period	Gross carrying value in unconsolidated financial statements prepared as per TAS		Allowances/ Impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans	2,774,744	64,073,863	2,849,784	63,998,823
Debt Securities	-	6,077,827	629	6,077,198
Off-balance sheet exposures	-	38,746,911	202,659	38,544,252
Total	**2,774,744**	**108,898,601**	**3,053,072**	**108,620,273**

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

XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure (continued)

3.1. General information about credit risk (continued)

3.1.3. Changes in stock of defaulted loans and debt securities

1	**Defaulted loans and debt securities at end of the 31 December 2018**	**2,774,744**
2	Loans and debt securities that have defaulted since the last reporting period	3,062,812
3	Returned to non-defaulted status	-
4	Amounts written off(*)	639,870
5	Other changes (**)	1,050,780
6	**Defaulted loans and debt securities at end of 31 December 2019 (1+2-3-4-5)**	**4,146,906**

(*)The bank wrote off TL 171,832 of its non-performing loans. Additionally, the portion of the Bank's non-performing loan portfolio amounting to TL 467,640 for which a provision of TL 450,294 was provided, was sold in 2019 with a price of TL 26,363 and after following the completion of the necessary procedures, non-performing loans were written off from the records.
(**)Includes collections during the period.

1	**Defaulted loans and debt securities at end of the 31 December 2017**	**1,946,625**
2	Loans and debt securities that have defaulted since the last reporting period	2,195,549
3	Returned to non-defaulted status	2,018
4	Amounts written off(*)	503,724
5	Other changes (**)	861,688
6	**Defaulted loans and debt securities at end of 31 December 2018 (1+2-3-4-5)**	**2,774,744**

(*) The Bank's non-performing loan portfolio amounting to TL 500,538 with provision TL 483,618 was sold in 2018 with a price of TL 24,061, after the completion of the necessary procedures, non-performing loans were written off from the records.
(**) Includes collections during the period

3.1.4. Additional disclosure related to the credit quality

a) The scope and definitions of “past due” and “impaired” exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting purposes

According to the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, non-required delay time loans that is not classified as Stage III Loans, whose principal and interest payment collection delayed more than 30 days are considered as “non-performing loan” in the Accounting Practice.

Receivables past due more than 90 days are considered as “impaired receivables”, and they are classified as group III, IV, and V in accordance with Communiqué. A specific reserve is allocated for such receivables.

b) The extent of past due exposures (more than 90 days) that are not considered to be impaired and the reasons for this

A specific provision is allocated for receivables for which collection is deferred more than 90 days in accordance with the Communiqué.

c) Description of methods used for determining impairments

Provision amount is determined in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”.

d) The definition of the restructured exposure

If the borrower fails to make payment to the Bank due to a temporary lack of liquidity, loans and other receivables including deferred interest payments may be restructured to provide the borrower with additional liquidity to enable the Bank to collect its receivables, or a new repayment schedule may be arranged.

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

XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure (continued)

3.1. General information about credit risk (continued)

3.1.4. Additional disclosure related to the credit quality (continued)

e) Breakdown of exposures by geographical areas, industry and residual maturity:

Breakdown of Loans and Receivables by Sector

	Current Period			
	TL	**(%)**	**FC**	**(%)**
Agriculture	1,272,531	2.42	139,879	1.12
Farming and Stockbreeding	1,210,438	2.30	138,905	1.11
Forestry	-	-	-	-
Fishery	62,093	0.12	974	0.01
Manufacturing	14,855,656	28.26	5,936,539	47.53
Mining and Quarrying	1,158,785	2.20	203,068	1.63
Production	13,147,577	25.01	5,450,083	43.63
Electricity, Gas and Water	549,294	1.05	283,388	2.27
Construction	1,247,839	2.37	335,191	2.68
Services	13,222,498	25.15	5,735,750	45.91
Wholesale and Retail Trade	5,205,663	9.90	1,005,417	8.05
Accommodation and Dining	805,003	1.53	1,373,359	10.99
Transportation and Telecom.	2,099,437	3.99	336,643	2.69
Financial Institutions	1,936,249	3.68	1,516,889	12.14
Real Estate and Rental Services	1,070,901	2.04	1,402,519	11.23
Self-Employment Services	680,584	1.29	100,360	0.80
Educational Services	82,751	0.16	563	0.00
Health and Social Services	1,341,910	2.55	-	-
Other	21,979,889	41.80	345,357	2.76
Total	**52,578,413**	**100.00**	**12,492,716**	**100.00**

	Prior Period			
	TL	**(%)**	**FC**	**(%)**
Agriculture	1,784,550	3.56	173,750	1.24
Farming and Stockbreeding	1,735,415	3.46	166,198	1.19
Forestry	-	-	-	-
Fishery	49,135	0.10	7,552	0.05
Manufacturing	15,615,539	31.15	6,890,850	49.44
Mining and Quarrying	1,654,923	3.30	254,849	1.83
Production	13,554,411	27.04	6,165,453	44.23
Electricity, Gas and Water	406,205	0.81	470,548	3.38
Construction	2,327,789	4.64	590,798	4.24
Services	14,384,915	28.69	6,217,596	44.60
Wholesale and Retail Trade	6,412,554	12.79	1,255,522	9.01
Accommodation and Dining	973,171	1.94	1,051,394	7.54
Transportation and Telecom.	2,294,804	4.58	420,794	3.02
Financial Institutions	1,554,116	3.10	1,419,802	10.19
Real Estate and Rental Services	1,209,616	2.41	1,985,634	14.24
Self-Employment Services	708,475	1.41	80,243	0.58
Educational Services	88,151	0.18	4,207	0.03
Health and Social Services	1,144,028	2.28	-	-
Other	16,021,672	31.96	66,404	0.48
Total	**50,134,465**	**100.00**	**13,939,398**	**100.00**

Breakdown of loans and receivables according to remaining maturities is provided in the note VI. of section 4 under the "Presentation of assets and liabilities according to their remaining maturities".

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

XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure (continued)

3.1. General information about credit risk (continued)

3.1.4. Additional disclosure related to the credit quality (continued)

f) Amounts of impaired exposures on geographical areas and industry basis (according to the definition used by the Bank for accounting purposes) and write-offs with related allowances.

All of the Bank’s loans under follow-up is in Turkey. Amounts of provision allocated receivables based on sector are presented in the note II of section 4 under “Information in terms of major sectors and type of counterparties”.

g) Ageing analysis of accounting past-due exposures

31 December 2019	**1-30 Day**	**31-60 Day**	**61-90 Day**	**Total**
Loans and Receivables				
Commercial Loans	455,811	357,891	1,093,620	1,907,322
Consumer Loans	482,022	297,618	380,699	1,160,339
Credit Cards	96,362	103,803	73,313	273,478
Total	**1,034,195**	**759,312**	**1,547,632**	**3,341,139**

31 December 2018	**1-30 Day**	**31-60 Day**	**61-90 Day**	**Total**
Loans and Receivables				
Commercial Loans	632,672	777,110	1,215,500	2,625,282
Consumer Loans	602,920	355,875	430,668	1,389,463
Credit Cards	106,973	136,331	99,341	342,645
Total	**1,342,565**	**1,269,316**	**1,745,509**	**4,357,390**

h)

i) Breakdown of restructured exposures between impaired and not impaired exposures

Not impaired loans:

Current Period	**Gross Amount**	**Significant Increase in Credit Risk (Stage 2)**	**Net Amount**
Commercial Loans	1,927,889	393,754	1,534,135
Consumer Loans	137,661	14,402	123,259
Credit Cards	61,116	3,605	57,511
Total	**2,126,666**	**411,761**	**1,714,905**

Prior Period	**Gross Amount**	**Significant Increase in Credit Risk (Stage 2)**	**Net Amount**
Commercial Loans	1,866,363	290,760	1,575,603
Consumer Loans	97,445	8,455	88,990
Credit Cards	49,128	4,263	44,865
Total	**2,012,936**	**303,478**	**1,709,458**

Impaired loans:

Current Period	**Gross Amount**	**Default (Stage 3)**	**Net Amount**
Commercial Loans	47,120	28,442	18,678
Consumer Loans	56,711	34,791	21,920
Credit Cards	11,972	9,355	2,617
Total	**115,803**	**72,588**	**43,215**

Prior Period	**Gross Amount**	**Default (Stage 3)**	**Net Amount**
Commercial Loans	14,325	11,363	2,962
Consumer Loans	26,861	15,352	11,509
Credit Cards	8,072	5,464	2,608
Total	**49,258**	**32,179**	**17,079**

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

XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure (continued)

3.2 Credit Risk Mitigation

3.2.1. Qualitative disclosure requirements related to credit risk mitigation techniques

a) Core features of policies and processes for which the Bank makes on and off-balance sheet netting

The Bank does not perform on and off balance sheet offsetting to decrease credit risk, and credit derivatives are not used.

b) Core features of policies and processes for collateral evaluation and management.

Financial collaterals are measured at fair value as of reporting date and are included in the risk mitigation process. When allocating the collateral amount to loans provided, the Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The legal validity of the mortgage is ensured by duly registering the mortgage in a timely manner, and significant changes in market conditions are monitored.

In terms of credit risk mitigation, the Bank uses cash, government and treasury bonds, fund, gold, bank guarantee, stock and derivatives as main collateral type. Mortgages on residential and commercial real estate reported under different risk class are other main types of collaterals.

c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e.by guarantor type, collateral and credit derivative providers).

Guarantor entity's credit risk value is to be considered in credit risk mitigation process in cases where Bank credit customers obtained guarantee from other entities.

Bank mostly prefers cash, securities such as government and Treasury bond for collateral which have low market and credit risk concentration risk.

3.2.2. Credit risk mitigation techniques – Overview

	Current Period	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives of which: secured amount
1	Loans	51,501,497	10,623,941	9,464,806	4,740,052	3,794,739	-	-
2	Debt securities	10,438,340	-	-	-	-	-	-
3	**Total**	**61,939,837**	**10,623,941**	**9,464,806**	**4,740,052**	**3,794,739**	**-**	**-**
4	Of which defaulted	3,816,599	312,828	221,411	17,479	1,122	-	-

	Prior Period	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives of which: secured amount
1	Loans	46,362,565	9,664,219	8,690,629	9,163,643	6,601,291	-	-
2	Debt securities	6,078,567	-	-	-	-	-	-
3	**Total**	**52,441,132**	**9,664,219**	**8,690,629**	**9,163,643**	**6,601,291**	**-**	**-**
4	Of which defaulted	2,675,160	89,333	66,566	10,251	948	-	-

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

XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure (continued)

3.3. Credit risk under standardized approach

3.3.1. Disclosures on banks' use of credit ratings under the standard approach for credit risk

For portfolios that are risk-weighted under the standardized approach for credit risk, banks must disclose the following information:

a) Names of the External Credit Assessment Institutions (ECAIs) and Export Credit Agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;

The Bank uses Fitch Ratings International Rating Agency's external ratings.

b) The risk classes for which each ECAI or ECA is used;

The credit rating of Fitch International Rating is used for all receivables from the central governments or central banks which are included in the risk classes indicated in Article 6 of the Communiqué on Measurement and Assessment of Capital Adequacy of the Bank, and the country risk classification announced by The Organization for Economic Co-operation and Development (OECD) is used for receivables from banks and intermediary agencies. 20% risk weight on is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and 50% risk weight is used for receivables with a maturity period of more than three months, and the risk weight used for all receivables is not lower than the risk concentration corresponding to the OECD credit quality level of the country where the non-rated banks and intermediary agencies are founded.

c) A description of the process used to apply the issuer credit ratings onto other issuer comparable assets in the banking book

A 20% risk weight is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and a 50% risk weight is used for receivables with a maturity period of more than three months. According to the regulation on capital adequacy, corporates where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where Agency (BRSA) publishes a standard mapping with which the bank has to comply).

Risk ratings per the credit quality levels and the risk weights according to exposure categories announced by Fitch Ratings International Rating Agency and Organization for Economic Co-operation and Development (OECD)'s are presented below:

Credit Quality Level	Fitch Ratings Long- Term Credit Rating	Risk Weight of Receivables from Central Government or Central Banks	Receivables from Banks and Brokerage Houses		Corporate Receivables
			DTM less than 3 months	DTM higher than 3 months	
0	-		20%	50%	100%
1	AAA and AA-	0%	20%	50%	100%
2	A+ and A-	20%	20%	50%	100%
3	BBB+ and BBB-	50%	50%	50%	100%
4	BB+ and BB-	100%	100%	100%	100%
5	B+ and B-	100%	100%	100%	100%
6	CCC+ and below	150%	100%	100%	100%
7	-		150%	150%	100%

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

XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach (continued)

3.3.1 Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

	Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		Risk Weighted Amounts and Risk Weighted Amounts density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted amounts	Risk Weighted amounts density
1	Exposures to central governments or central banks	20,795,764	-	22,823,247	445	4,686,792	21%
2	Exposures to regional governments or local authorities	1,247,638	4,566	1,242,201	2,087	622,150	50%
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	10,917,720	2,235,018	10,819,861	1,718,566	4,387,903	35%
7	Exposures to corporates	21,700,590	18,703,110	20,454,546	11,499,334	30,921,617	97%
8	Retail exposures	29,340,715	15,428,657	27,088,081	3,014,696	22,568,577	75%
9	Exposures secured by residential property	5,473,079	374,142	5,473,079	146,464	1,966,840	35%
10	Exposures secured by commercial real estate	6,506,468	1,174,811	6,236,649	512,230	4,765,201	71%
11	Past-due loans	1,794,352	244,545	1,793,224	77,444	1,691,079	90%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	4,335,114	4,450,530	4,335,112	2,649	1,639,738	38%
17	Investments in equities	132,920	-	132,920	-	132,920	100%
18	**Total**	**102,244,360**	**42,615,379**	**100,398,920**	**16,973,915**	**73,382,817**	**63%**

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

XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach (continued)

3.3.2. Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects(continued)

	Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		Risk Weighted Amounts and Risk Weighted Amounts density	
	Asset classes	On-balance sheet Amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted Amounts	Risk Weighted Amounts density
1	Exposures to central governments or central banks	20,198,597	-	25,377,088	40,788	3,232,295	13%
2	Exposures to regional governments or local authorities	992,484	6,578	984,538	3,144	494,165	50%
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development Banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	6,006,593	1,366,431	5,661,657	1,551,717	2,349,501	33%
7	Exposures to corporates	26,152,538	20,226,548	24,223,728	12,033,390	35,789,239	99%
8	Retail exposures	27,267,455	12,620,886	22,628,331	2,709,599	18,997,345	75%
9	Exposures secured by residential Property	6,067,061	327,662	6,067,062	132,530	2,169,857	35%
10	Exposures secured by commercial real Estate	2,558,285	211,302	2,558,285	114,482	1,336,383	50%
11	Past-due loans	1,113,563	205,582	1,112,615	65,022	1,217,144	103%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	2,960,154	3,737,223	2,953,765	2,242	852,424	29%
17	Investments in equities	94,290	-	94,290	-	94,290	100%
18	**Total**	**93,411,020**	**38,702,212**	**91,661,359**	**16,652,914**	**66,532,643**	**61%**

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

XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach (continued)

3.3.3 Standardized approach – exposures by asset classes and risk weights

	Current Period Asset Classes / Risk Weights	0%	10%	20%	35%	50% secured by real estate (*)	75%	100%	150%	200%	Other risk weights	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to regional governments or local authorities	18,136,900	-	-	-	-	-	4,686,792	-	-	-	22,823,692
2	Exposures to regional governments or local authorities	-	-	-	-	1,244,276	-	12	-	-	-	1,244,288
3	Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and financial intermediaries	-	-	9,044,671	-	1,838,724	-	1,645,882	9,150	-	-	12,538,427
7	Exposures to corporates	-	-	786,895	-	805,495	-	30,361,490	-	-	-	31,953,880
8	Retail exposures	-	-	5,755	-	21,615	30,075,157	250	-	-	-	30,102,777
9	Exposures secured by residential property	-	-	-	5,619,543	-	-	-	-	-	-	5,619,543
10	Exposures secured by commercial real estate	-	-	-	-	3,967,356	-	2,781,523	-	-	-	6,748,879
11	Past-due loans	-	-	-	-	601,830	-	1,026,186	242,652	-	-	1,870,668
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	132,920	-	-	-	132,920
17	Other assets	2,660,399	-	47,029	-	-	-	1,630,333	-	-	-	4,337,761
18	**Total**	**20,797,299**	**-**	**9,884,350**	**5,619,543**	**8,479,296**	**30,075,157**	**42,265,388**	**251,802**	**-**	**-**	**117,372,835**

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

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

XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach (continued)

3.3.3 Standardized approach – exposures by asset classes and risk weights (continued)

	Prior Period **Asset Classes / Risk Weights**	**0%**	**10%**	**20%**	**35%**	**50% secured by real estate (*)**	**75%**	**100%**	**150%**	**200%**	**Other risk weights**	**Total credit risk exposure amount (after CCF and CRM)**
1	Exposures to regional governments or local authorities	22,185,581	-	-	-	-	-	3,232,295	-	-	-	25,417,876
2	Exposures to regional governments or local authorities	-	-	-	-	987,037	-	645	-	-	-	987,682
3	Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and financial intermediaries	-	-	5,154,440	-	1,484,779	-	570,019	4,136	-	-	7,213,374
7	Exposures to corporates	-	-	160,786	-	678,504	-	35,417,828	-	-	-	36,257,118
8	Retail exposures	-	-	7,903	-	7,021	25,323,006	-	-	-	-	25,337,930
9	Exposures secured by residential property	-	-	-	6,199,592	-	-	-	-	-	-	6,199,592
10	Exposures secured by commercial real estate	-	-	-	-	2,672,767	-	-	-	-	-	2,672,767
11	Past-due loans	-	-	-	-	331,085	-	436,453	410,099	-	-	1,177,637
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	94,290	-	-	-	94,290
17	Other assets	2,066,839	-	45,928	-	-	-	843,240	-	-	-	2,956,007
18	**Total**	**24,252,420**	**-**	**5,369,057**	**6,199,592**	**6,161,193**	**25,323,006**	**40,594,770**	**414,235**	**-**	**-**	**108,314,273**

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

XI. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk

4.1. Qualitative disclosure related to counterparty credit risk

Limit requests of clients demanding derivative transactions are evaluated based on the related line of business in different credit committees. Limit amounts approved by credit committee are risk weighted limits. In calculation of risk amount that traced to risk weighted limits is multiplied by ratios based on each factor's historical movement that varies according to transaction's nominal amount, transaction's maturity, type, currency and purpose. Updates are generally conducted on a yearly basis except for the times of strict market fluctuations. In other words, if current tables do not cover risk calculations efficiently in case of strict market volatility, all tables are reviewed without waiting for annual period.

In table calculations, different time periods are considered while making analyses. If there is a period in data set with strictly fluctuating period, historical period after this period might be crucial. Also, in historical fluctuations, similar work meant for a data is organized separately. References provided by BNPP are also considered in the process. Eventually, all results are discussed firstly among line of business and then in the Market Risk Committee. Final decision is made by Risk Policy Committee and one of the alternatives is chosen. Approval of the Board of Directors members is obtained if the Risk Policy Committee members deem necessary.

Customers demanding derivative transactions are separated into two based on the purpose of the transaction. Decision of allocating the client to a group is given with taking into consideration client's all transactions. Related Credit Department decides on the evaluation of client either in trading derivative transaction limit or in hedging derivative transaction limit.

In principle, all individual customers are evaluated as in trading portfolio, and the Bank works with 100% cash and cash equivalent collaterals. Commercial and corporate customers are evaluated different for each firm and based on the decision given, are subject to different collateral conditions. Risks are monitored daily based on the collateral conditions set with the client, and additional collaterals are demanded when a necessity arises according to internally set principles.

For derivative transactions made with banks, ISDA, CSA and GMRA agreements are requested from counterparties in principle, derivative transactions are not made with banks that do not sign these agreements. Collateral management is made on a daily basis with banks considering agreement conditions so that counterparty risk is minimized.

All open derivative transactions are evaluated daily by using market data, and resulting evaluation amount is installed to system. As a new transaction is made, risk amount calculated with risk weights is reflected automatically to the system. In other words, counterparty risk regarding all derivative transactions is monitored on banking system. Collateral amount required for customer transactions, transaction evaluation amount and risk weighted nominal amount is monitored daily by considering collateral condition and limit monitoring principles set up by the Bank.

Simulations of transactions are conducted in order to be able to see the level of capital consumption on transaction basis. Ratings and Basel II portfolios of derivative customers and banks are audited and updated monthly. These are considered in the calculation of capital requirement and evaluation of collateral conditions.

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

XI. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.2. Analysis of counterparty credit risk (CCR) exposure by approach

Current Period	Replacement cost	Potential future exposure	EEPE(*)	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
Standardized Approach - CCR (For Derivatives)	424,504	567,790		1.4	978,777	807,495
Internal Model Method (for derivatives, repo transactions , marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					20,589	3,653
Total						**811,148**

(*) Effective Expected Positive Exposure

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

(*) Effective Expected Positive Exposure

XI. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.3. Credit valuation adjustment (CVA) capital charge

Current Period	EAD post-CRM	Risk Weighted Amounts
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (including the 3×multiplier)		-
(ii) Stressed VaR component (including the 3×multiplier)		-
All portfolios subject to the Standardized CVA capital charge	978,777	392,622
Total subject to the CVA capital charge	**978,777**	**392,622**

Prior Period	EAD post-CRM	Risk Weighted Amounts
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (including the 3×multiplier)		-
(ii) Stressed VaR component (including the 3×multiplier)		-
All portfolios subject to the Standardized CVA capital charge	1,215,124	350,636
Total subject to the CVA capital charge	**1,215,124**	**350,636**

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

XI. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.4. Counterparty credit risk by risk classes and risk weights

Current Period **Risk Weight / Regulatory portfolio**	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure(*)**
Claims from central governments and central banks	13,012	-	-	-	-	-	-	-	-	13,012
Claims from regional and local governments	-	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	9,946	-	297,308	-	46,481	-	-	353,735
Corporates	-	-	131	-	15,706	-	574,234	-	-	590,071
Retail portfolios	-	-	-	-	-	42,548	-	-	-	42,548
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets(**)	-	-	-	-	-	-	-	-	-	-
Total	**13,012**	**-**	**10,077**	**-**	**313,014**	**42,548**	**620,715**	**-**	**-**	**999,366**

(*) Total credit risk: Amount related to capital adequacy calculation after the counterparty credit risk measurement techniques are applied.

(**) Other assets: The amounts not included in the credit risk of the counterparty reported in the risks table to the Central Counterparty.

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

XI. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.4. Counterparty credit risk by risk classes and risk weights (continued)

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

(*) Total credit risk: Amount related to capital adequacy calculation after the counterparty credit risk measurement techniques are applied.

(**) Other assets: The amounts not included in the credit risk of the counterparty reported in the risks table to the Central Counterparty.

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

XI. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.5. Composition of collateral for CCR exposure

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
Current Period	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash – domestic currency	-	298	-	-	-	-
Cash – other currencies	-	12,916	-	-	-	-
Domestic sovereign debt	-	74	-	-	-	-
Other sovereign debt	-	229	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	**13,517**	-	-	-	-

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

4.6. Credit derivatives exposures

	Current Period	
	Protection bought	Protection sold
Nominal		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	-	-
Fair Values		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

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

4.7. Exposures to central counterparties

None.

XI. Explanations Related to Risk Management (continued)

5. Securitization Disclosures

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

6. Market Risk Disclosures

The market risk section includes the market risk capital requirements calculated for trading book and banking book exposures that are subject to a market risk charge. It also includes capital requirements for securitization positions held in the trading book. However, it excludes the counterparty credit risk capital charges that apply to the same exposures, which are reported in Section 5 – Counterparty credit risk.

Notes and explanations prepared in accordance with the "Communiqué on Disclosures about Risk Management to be announced to Public by Banks" published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. The notes to be presented on annually basis according to Communiqué have not been presented due to usage of standard approach for the calculation of market risk by the Bank.

6.1. Qualitative disclosure requirements related to market risk

Interest rate and foreign exchange rate risks, arising from the volatility in the financial markets, of the financial positions taken by the Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy and the amount subject to Value at Risk (VAR), as summarized below, is taken into consideration by the standard method. Beside the standard method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by historic simulation. These results are also reported daily to the management.

For FX position, limits in different breakdowns are determined by Board of Directors and option operations are considered with delta conjugates.

In regular analysis, net interest income effects originating from interest rates changes are calculated for all interest rates sensitive products and the results are followed up in limits determined by Board of Directors. The shocks which are given to interest rates are changes by each currency and in linear scenario analysis, not only linear but also sudden shocks are evaluated. These analyses may be performed for both current and targeted financial figures.

According to economic cost approach, changes in market interest rates may affect the Bank's assets, liabilities and off balance sheet items values. The Bank's economic value's sensitivity to interest rate is an important issue for stockholders, management and auditors.

Economic value of a product is net present value that is calculated by discounting expected cash flow.

Economic value of the Bank is the net present value of the cash flows that is subtracting expected cash flows of liabilities from net present value of assets and adding off balance sheet items expected cash flows. Economic value approach represents Bank's value's sensitivity to interest rate fluctuations.

Market value of equity is defined as the difference between the market value of assets and liabilities. The Board of Directors predefines a limit for market value of equity; shock method is applied to all items to be able to see equity's influence on market value. Shocks applied may vary based on currencies.

As Economical Value approach considers effects of interest rate changes on all future cash flows, it enables to comprehensively understand effects of interest rate changes in the long run.

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

XI. Explanations Related to Risk Management (continued)

6. Market Risk Disclosures (continued)

6.1. Qualitative disclosure requirements related to market risk (continued)

In addition to these analyses, Group Risk Management, based on current position, conducts stress testing to be able to predict possible losses as a consequence of exceptional fluctuations. Stress testings are prepared by BNP Paribas and TEB Group Risk Management measure the sensitivity created as a result of market price changes based on scenarios. Scenario analysis both on historical and hypothetical basis are conducted.

Scenario analysis is applied both to currency and interest rates to be able to understand the effects on current portfolio.

Other than scenario analysis, various stress testings are applied to current portfolio; in order to see the effects of prior events on current position.

Nominal amount limits defined for bond portfolio, VAR (value at risk) limit for trading portfolio, and PV01 limits set for tracking interest rate risk are calculated daily, tracked and reported to the management. Both interest rate and liquidity gap calculations are made for each item of the balance sheet. For both calculations, as product based cash flows are formed, repricing, maturity and product based acceptances are also considered.

Monthly reports are prepared for Market and Liquidity Risk Committees. Reports include end of the day positions, monthly/annual cumulative profit/loss balances and some positions taken in that month.

All limit and risk positions are represented to Audit Committee and to The Board of Directors.

6.2. Standardized Approach

	Current Period	Risk Weighted Amounts
Outright products		
1	Interest rate risk (general and specific)	1,437,126
2	Equity risk (general and specific)	-
3	Foreign exchange risk	82,917
4	Commodity risk	107,119
Options		
5	Simplified approach	-
6	Delta-plus method	22,588
7	Scenario approach	-
8	Securitization	-
9	**Total**	**1,649,750**

	Prior Period	Risk Weighted Amounts
Outright product		
1	Interest rate risk (general and specific)	634,338
2	Equity risk (general and specific)	-
3	Foreign exchange risk	36,949
4	Commodity risk	12,000
Options		
5	Simplified approach	-
6	Delta-plus method	23,438
7	Scenario approach	-
8	Securitization	-
9	**Total**	**706,725**

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

XI. Explanations Related to Risk Management (continued)

7. Explanations Related to Operational Risk

a) Operational risk has been calculated using the Basic Indicator Approach. Market risk measurements are performed monthly.

b) In case of Basic Indicator Approach the following:

	31.12.2016	31.12.2017	31.12.2018	Total/Number of positive gross income years	Rate (%)	Total
Gross Income	4,103,251	4,133,929	5,159,211	4,465,464	15	669,820
Operational Risk Capital Requirement (Total*12.5)						8,372,744

	31.12.2015	31.12.2016	31.12.2017	Total/Number of positive gross income years	Rate (%)	Total
Gross Income	3,595,664	4,103,251	4,133,929	3,944,281	15	591,642
Operational Risk Capital Requirement (Total*12.5)						7,395,528

c) The Bank does not use the standard method.

d) The Bank does not use any alternative approach in standard method

e) The Bank does not use Advanced Measurement Approach.

8. Explanations Related to Remuneration Policy in Banks

TEB pays net salaries on the last working day of each month, after the required legal deductions are made. In addition to receiving a monthly salary, all TEB employees are assessed based on meeting their qualitative and quantitative targets, and the Bank may pay performance-based success and sales premiums or annual performance bonuses to reward employees' collective and individual success.

An annual performance bonus is determined based on the Bank's profitability, the results of Bank activities, and the realization of targets in line with market practices (local and/or professional). A performance bonus is only paid when the target realized in a particular year is at least 80%. Employees included in the success and sales premium scheme are paid success and sales premiums based to the targets realized during the year.

The remuneration policy of the Bank was prepared in line with the BRSA's Communiqué on Corporate Management of Banks and Guidance on Good Remuneration Practices in Banks, and within the scope of the principle of proportionality, the content, structure, and strategies of the Bank's activities, long-term targets, the risk management structure of the Bank and local regulations. These regulations aim to prevent taking excessive risks and evaluate actual contributions to the risk management.

The remuneration policy supports the Bank in managing risks in line with the principles and parameters determined and approved by the Board of Directors. The remuneration policy aims to attract and retain expert employees who will contribute to the Bank reaching its strategic targets in both business line and support functions.

SECOM (Selection and Compensation Committee) is responsible, on behalf of the Board of Directors, for ensuring that the remuneration policy is prepared in line with local and BNP Paribas regulations. SECOM manages the principles of the remuneration policy, taking opinions from the human resources, financial affairs, risk, compliance, and internal control groups. The remuneration policy is audited and approved by SECOM and submitted to the Board of Directors. The remuneration policy is reviewed annually.

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Assets

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Cash in TL/Foreign Currency	410,344	2,031,625	442,449	1,564,017
Balances with the Central Bank of Turkey	305,709	8,942,832	1,516,100	12,032,184
Other	-	265,460	-	106,302
Total	**716,053**	**11,239,917**	**1,958,549**	**13,702,503**

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Unrestricted Demand Deposit	297,130	-	1,478,914	-
Unrestricted Time Deposit	-	3,932,318	-	5,243,049
Restricted Time Deposit	8,579	5,010,514	37,186	6,789,135
Total	**305,709**	**8,942,832**	**1,516,100**	**12,032,184**

Foreign currency unrestricted deposit amounting to TL 3,932,318 (31 December 2018: TL 5,243,049), foreign currency restricted deposit amounting to TL 5,010,514 (31 December 2018: TL 6,789,135), unrestricted deposit balance amounting to TL 297,130 (31 December 2018: TL 1,478,914) and restricted deposit amounting to TL 8,579 (31 December 2018: TL 37,186) comprises of reserve deposits. As of 31 December 2019, the Turkish lira required reserve ratios are determined to be within the range of 1% - 2% depending on the maturity structure of deposits denominated in Turkish Lira (31 December 2018: 1.5% - 8%), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 5% - 21% (31 December 2018: 4% - 20%).

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

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

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

Net book value of unrestricted financial assets at fair value through profit and loss is TL 1,167,994 (31 December 2018: TL 527,894).

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	144,959	9,474	458,840	10,370
Swap Transactions	1,302,918	179,827	1,812,191	186,750
Futures Transactions	-	-	-	-
Options	25,918	6,946	129,526	12,730
Other	-	-	-	390
Total	**1,473,795**	**196,247**	**2,400,557**	**210,240**

4. Information on banks:

a) Information on Banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	1,015,539	185,361	800,909	98
Foreign Banks	55,635	7,295,630	82,122	3,035,307
Foreign Head Offices and Branches	-	-	-	-
Total	**1,071,174**	**7,480,991**	**883,031**	**3,035,405**

b) Information on foreign banks account:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	5,946,715	2,587,570	-	-
USA, Canada	211,172	43,364	-	-
OECD Countries (*)	739,820	58,094	-	-
Coastal Banking Regions	446,599	383,071	-	-
Other	6,959	45,330	-	-
Total	**7,351,265**	**3,117,429**	-	-

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity Securities	-	-	-	-
Bond, Treasury Bill and Similar Investment Securities	333,201	-	266,235	-
Other	-	-	-	-
Total	**333,201**	**-**	**266,235**	**-**

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

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	77,088	-	64,511	-
Treasury Bills	-	-	-	-
Other Government Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	**77,088**	**-**	**64,511**	**-**

The book value of debt securities and equity securities in unrestricted financial assets at fair value through other comprehensive income is TL 5,129,328 (31 December 2018: TL 2,960,611).

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

	Current Period	Prior Period
Debt Securities	5,531,722	3,285,747
Quoted at Stock Exchange	5,511,108	3,265,711
Unquoted at Stock Exchange	20,614	20,036
Share Certificates	7,895	5,610
Quoted at Stock Exchange	-	-
Unquoted at Stock Exchange	7,895	5,610
Impairment Provision (-)	-	-
Total	**5,539,617**	**3,291,357**

6. Information on loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	1,596	182,856	19,520	260,569
Corporate Shareholders	1,596	182,856	19,520	260,569
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	139,703	-	108,259	-
Total	**141,299**	**182,856**	**127,779**	**260,569**

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

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

6. Information on loans: (continued)

b) Information on the standard loans and loans under close monitoring and restructured loans under close monitoring:

		Loans under Close Monitoring		
			Restructured	
Cash Loans	**Standard Loans**	**Loans Not Subject to Restructuring**	**Loans with Revised Contract Terms**	**Refinance**
Non-specialized Loans	56,206,747	6,737,716	173,945	1,952,721
Working Capital Loans	3,684,645	980,501	32,544	760,873
Export Loans	6,394,926	295,101	31,772	115,963
Import Loans	-	-	-	-
Loans Given to Financial Sector	2,329,532	-	-	-
Consumer Loans	14,593,587	2,474,537	3,949	133,712
Credit Cards	4,026,952	652,669	61,116	-
Other	25,177,105	2,334,908	44,564	942,173
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**56,206,747**	**6,737,716**	**173,945**	**1,952,721**

	Current Period		Prior Period	
	Standard Loans	**Loans Under Close Monitoring**	**Standard Loans**	**Loans Under Close Monitoring**
12 Month Expected Credit Losses	394,194	-	355,390	-
Significant increase in Credit Risk	-	894,153	-	836,214
Total	**394,194**	**894,153**	**355,390**	**836,214**

c) Distribution of cash loans by maturity structure

		Loans in Close Monitoring	
	Standard Loans	**Loans not Subject to Restructuring**	**Restructured**
Short Term Loans	25,316,671	1,719,581	350,218
Medium and Long Term Loans	30,890,076	5,018,135	1,776,448
Total	**56,206,747**	**6,737,716**	**2,126,666**

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

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

6. Information on loans: (continued)

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

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	**567,813**	**15,880,140**	**16,447,953**
Housing Loans	3,287	5,334,276	5,337,563
Vehicle Loans	18,385	422,741	441,126
General Purpose Loans	546,141	10,123,123	10,669,264
Other	-	-	-
Consumer Loans –Indexed to FC	**-**	**18,308**	**18,308**
Housing Loans	-	18,308	18,308
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC (**)	**-**	**27,949**	**27,949**
Housing Loans	-	6,031	6,031
Vehicle Loans	-	3,655	3,655
General Purpose Loans	-	18,263	18,263
Other	-	-	-
Individual Credit Cards-TL	**3,135,899**	**54,120**	**3,190,019**
With Instalments	1,012,747	54,120	1,066,867
Without Instalments	2,123,152	-	2,123,152
Individual Credit Cards-FC	**11,775**	**-**	**11,775**
With Instalments	-	-	-
Without Instalments	11,775	-	11,775
Personnel Loans-TL	**13,520**	**89,484**	**103,004**
Housing Loans	-	517	517
Vehicle Loans	-	-	-
General Purpose Loans	13,520	88,967	102,487
Other	-	-	-
Personnel Loans- Indexed to FC	**-**	**-**	**-**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**31,920**	**-**	**31,920**
With Instalments	10,293	-	10,293
Without Instalments	21,627	-	21,627
Personnel Credit Cards-FC	**393**	**-**	**393**
With Instalments	-	-	-
Without Instalments	393	-	393
Overdraft Accounts-TL(Real Persons) (*)	**608,567**	**-**	**608,567**
Overdraft Accounts-FC(Real Persons)	**4**	**-**	**4**
Total	**4,369,891**	**16,070,001**	**20,439,892**

(*) Overdraft accounts include personnel loans amounting to TL 4,386.

(**) Loans granted via branches abroad.

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

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

6. Information on loans: (continued)

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

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

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

(**) Loans granted via branches abroad.

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

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

6. Information on loans: (continued)

e) Information on commercial loans with instalments and corporate credit cards:

Current Period	Short Term	Medium and Long Term	Total
Commercial loans with instalment – TL	**1,006,177**	**9,781,970**	**10,788,147**
Business Loans	1,000	170,690	171,690
Vehicle Loans	26,836	682,638	709,474
General Purpose Loans	978,341	8,928,642	9,906,983
Other	-	-	-
Commercial loans with instalment - Indexed to FC	**-**	**331,604**	**331,604**
Business Loans	-	5,899	5,899
Vehicle Loans	-	83,943	83,943
General Purpose Loans	-	241,762	241,762
Other	-	-	-
Commercial loans with instalment – FC	**478**	**-**	**478**
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	478	-	478
Other	-	-	-
Corporate Credit Cards-TL	**1,504,191**	**-**	**1,504,191**
With Instalments	385,150	-	385,150
Without Instalments	1,119,041	-	1,119,041
Corporate Credit Cards-FC	**2,439**	**-**	**2,439**
With Instalments	-	-	-
Without Instalments	2,439	-	2,439
Overdraft Accounts-TL(Legal Entities)	**849,525**	**-**	**849,525**
Overdraft Accounts-FC(Legal Entities)	**-**	**-**	**-**
Total	**3,362,810**	**10,113,574**	**13,476,384**

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

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

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

6. Information on loans: (continued)

f) Distribution of loans by users:

	Current Period	Prior Period
Public	2,096,489	1,047,745
Private	62,974,640	63,026,118
Total	**65,071,129**	**64,073,863**

g) Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	64,523,379	63,118,948
Foreign Loans	547,750	954,915
Total	**65,071,129**	**64,073,863**

h) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	277,729	97,952
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	**277,729**	**97,952**

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

	Current Period	Prior Period
Loans and Receivables with Limited Collectability	349,033	329,331
Loans and Receivables with Doubtful Collectability	572,537	342,439
Uncollectible Loans and Receivables	1,430,975	986,410
Total	**2,352,545**	**1,658,180**

j) Information on loans under follow-up (Net):

j.1) Information on loans and other receivables included in loans under follow-up which are restructured or rescheduled:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Gross Amounts before Provisions	55,867	41,008	18,928
Restructured Loans	55,867	41,008	18,928
Prior Period			
Gross Amounts before Provisions	26,606	15,968	6,684
Restructured Loans	26,606	15,968	6,684

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

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

6. Information on loans (continued) :

j) Information on loans under follow-up (Net) (continued) :

j.2) Movement of loans under follow-up:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	**Loans and Receivables with Doubtful Collectability**	**Uncollectible Loans and Receivables**
Prior period end balance	**699,709**	**670,305**	**1,404,730**
Additions (+)	2,580,464	84,813	397,535
Transfers from other Categories of Loans under Follow-up (+)	-	2,386,370	1,633,666
Transfers to other Categories of Loans under Follow-up (-)	2,386,370	1,633,666	-
Collections (-)	269,325	332,692	448,763
Write-Offs (-)	4	18	172,208
Sold Portfolio (-)(*)	153	6,118	461,369
Corporate and Commercial Loans	113	5,598	284,602
Retail Loans	-	42	91,071
Credit Cards	40	478	85,696
Other	-	-	-
Current period end balance	**624,321**	**1,168,994**	**2,353,591**
Provision (-)	349,033	572,537	1,430,975
Net Balances on Balance Sheet	**275,288**	**596,457**	**922,616**

(*) Past due receivables amounting to TL 467,640 for which TL 450,294 of provision had been allocated, is sold for TL 26,363 during 2019. After all sales procedures were completed, these past due receivables have been written off from the portfolio.

j.3) Information on foreign currency loans under follow-up:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	**Loans and Receivables with Doubtful Collectability**	**Uncollectible Loans and Receivables**
31 December 2019			
Period End Balance	40,984	76,556	153,192
Provision (-)	22,125	42,944	121,969
Net Balance on Balance Sheet	**18,859**	**33,612**	**31,223**
31 December 2018			
Prior Period End Balance	21,749	30,099	228,009
Provision (-)	14,989	12,713	198,615
Net Balance on Balance Sheet	**6,760**	**17,386**	**29,394**

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

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

6. Information on loans: (continued)

j.4) Information regarding gross and net amounts of loans under follow-up with respect to user groups:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	**Loans and Receivables with Doubtful Collectability**	**Uncollectible Loans and Receivables**
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	624,321	1,168,994	2,353,591
Provision (-)	349,033	572,537	1,430,975
Loans to Real Persons and Legal Entities (Net)	**275,288**	**596,457**	**922,616**
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	**-**	**-**	**-**
Other Loans and Receivables (Gross)	-	-	-
Provision (-)	-	-	-
Other Loans and Receivables (Net)	**-**	**-**	**-**
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	699,709	670,305	1,404,730
Provision (-)	329,331	342,439	986,410
Loans to Real Persons and Legal Entities (Net)	**370,378**	**327,866**	**418,320**
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	**-**	**-**	**-**
Other Loans and Receivables (Gross)	-	-	-
Provision (-)	-	-	-
Other Loans and Receivables (Net)	**-**	**-**	**-**

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

	Group III	Group IV	Group V
	Loans with Limited Collectability	**Loans with Doubtful Collectability**	**Uncollectible Loans**
Current Period(Net)	**18,822**	**77,767**	**229,640**
Interest Accruals, Rediscounts and Valuation Differences	76,914	175,092	394,218
Provision (-)	58,092	97,325	164,578
Prior Period (Net)	**13,322**	**18,468**	**5,838**
Interest Accruals, Rediscounts and Valuation Differences	70,640	102,720	97,595
Provision (-)	57,318	84,252	91,757

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

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

6. Information on loans: (continued)

k) Outline of the liquidation policy for losses and other receivables:

Loans and other receivables, which are deemed not possible to be collected according to the "Regulation on Classification of Loans and Provisions and Provisions for Reserves" published in the Official Gazette dated 22 June 2016 and numbered 29750, are fulfilled by the requirements of the Tax Procedure Law in line with the decision taken by the Bank's senior management classified as a loan as a loss.

l) Disclosures regarding the unregistered policy:

The Fifth Group - Loans classified as Loss Loans, with at least one reporting period in this group, and the lifetime expected credit loss due to the default of the debtor constitutes the Bank's credits to be deducted. Deregistration is an accounting practice and does not result in the right to waive. Loans deducted from the record do not affect the legal follow-up of the Bank. Indicators are utilized regarding the absence of reasonable expectations regarding the recovery of loans. The deregistration is examined on an incident basis with predefined criteria and the following deregistration indicators are considered:

- The possibility of recovery is limited: Loans with low collateralization, limited collateral capability, limited assets that provide foreclosure collection, and less than expected cost income for collection are evaluated.

- Financial indicators: Financial indicators evaluating that the entire loan is not capable of recovering are evaluated,

- Long-term follow-up: Those who do not have reasonable collection expectations are evaluated in order to recover the loans that have been pursuing for a long time.

Although the bank has been unrecorded, the following practices for the loans it monitors cannot be different from its registered loans.
a) The methods applied for legal collection of loans from debtors,
b) Decisions to be subjected to the sale of non-performing loans,
c) Decisions to waive the credit by waiving the loans.

Within the scope of TFRS 9, the deducted amount during the period is 171,832 TL (31 December 2018: None) and its effect on NPL ratio is 0.23%. The follow-up conversion rate, after deductions, is 5.99% in the current period frozen loan figures, while the calculated rate including the loans deducted during the year is 6.22%.

m) Other explanations and footnotes

Current Period	**Commercial**	**Consumer**	**Credit Cards**	**Total**
Standard Loans	37,586,208	14,593,587	4,026,952	56,206,747
Loans under Close Monitoring	5,538,399	2,612,198	713,785	8,864,382
Loans Under Follow-Up	3,617,237	398,230	131,439	4,146,906
Total	**46,741,844**	**17,604,015**	**4,872,176**	**69,218,035**
12 Month Expected Credit Loss (Stage I) (-)	192,135	144,831	57,228	394,194
Significant Increase in Credit Risk (Stage II) (-)	686,025	161,159	46,969	894,153
Default (Stage III) (-)	2,009,282	250,895	92,368	2,352,545
Total	**2,887,442**	**556,885**	**196,565**	**3,640,892**
Net Credit Balance on the Balance Sheet	**43,854,402**	**17,047,130**	**4,675,611**	**65,577,143**
Prior Period	**Commercial**	**Consumer**	**Credit Cards**	**Total**
Standard Loans	39,823,754	10,568,447	3,492,684	53,884,885
Loans under Close Monitoring	6,664,666	2,759,419	764,893	10,188,978
Loans Under Follow-Up	1,207,174	1,395,223	172,347	2,774,744
Total	**47,695,594**	**14,723,089**	**4,429,924**	**66,848,607**
12 Month Expected Loss Reserves (Stage I) (-)	218,413	85,416	51,561	355,390
Significant Increase in Credit Risk (Stage II) (-)	634,220	149,047	52,947	836,214
Default (Stage III) (-)	760,528	769,345	128,307	1,658,180
Total	**1,613,161**	**1,003,808**	**232,815**	**2,849,784**
Net Credit Balance on the Balance Sheet	**46,082,433**	**13,719,281**	**4,197,109**	**63,998,823**

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

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

6. Information on loans: (continued)

m) Other explanations and footnotes (continued)

The following is a reclassification of provision for impairment on loans by stage;

Current Period

Commercial	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non- performing loans (Stage 3)	Total
31 December 2018	218,413	634,220	760,528	1,613,161
Transfers;				
- Stage 1 to Stage 2	(19,564)	104,626	-	85,062
- Stage 1 to Stage 3	(5,387)	-	169,762	164,375
- Stage 2 to Stage 3	-	(82,960)	378,714	295,754
- Stage 2 to Stage 1	2,817	(17,869)	-	(15,052)
- Stage 3 to Stage 2	-	-	-	-
Transferred within the period	117,210	243,941	1,388,936	1,750,087
Collections	(127,005)	(224,291)	(236,201)	(587,497)
Sold Portfolio	-	-	(282,227)	(282,227)
Write-off	-	-	(171,832)	(171,832)
Currency differences	5,651	28,358	1,602	35,611
Total expected credit losses 31 December 2019	**192,135**	**686,025**	**2,009,282**	**2,887,442**

Prior Period

Commercial	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non- performing loans (Stage 3)	Total
31 December 2017	230,885	43,711	632,158	906,754
TFRS 9 Transition Effect	(36,347)	450,918	(18,231)	396,340
Transfers;				
- Stage 1 to Stage 2	(24,754)	151,248	-	126,494
- Stage 1 to Stage 3	(11,368)	-	500,864	489,496
- Stage 2 to Stage 3	-	(96,204)	385,882	289,678
- Stage 2 to Stage 1	17,600	(46,301)	-	(28,701)
- Stage 3 to Stage 2	-	-	-	-
Transferred within the period	124,318	230,005	(338,461)	15,862
Collections	(81,921)	(99,157)	(43,819)	(224,897)
Write-offs	-	-	(361,058)	(361,058)
Currency differences	-	-	3,193	3,193
Total expected credit losses 31 December 2018	**218,413**	**634,220**	**760,528**	**1,613,161**

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

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

6. Information on loans: (continued)

m) Other explanations and footnotes (continued)

Current Period

Consumer	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non- performing loans (Stage 3)	Total
31 December 2018	85,416	149,047	769,345	1,003,808
Transfers;				
- Stage 1 to Stage 2	(7,719)	37,698	-	29,979
- Stage 1 to Stage 3	(2,701)	-	54,025	51,324
- Stage 2 to Stage 3	-	(13,970)	74,977	61,007
- Stage 2 to Stage 1	4,716	(28,485)	-	(23,769)
- Stage 3 to Stage 2	-	-	-	-
Transferred within the period	91,331	52,767	(555,612)	(411,514)
Collections	(26,212)	(35,898)	(6,672)	(68,782)
Sold Portfolio	-	-	(85,168)	(85,168)
Write-offs	-	-	-	-
Currency differences	-	-	-	-
Total expected credit losses 31 December 2019	**144,831**	**161,159**	**250,895**	**556,885**

Prior Period

Consumer	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non- performing loans (Stage 3)	Total
31 December 2017	182,562	19,386	527,953	729,901
IFRS 9 transition effect	(144,411)	100,100	38,155	(6,156)
Transfers;				
- Stage 1 to Stage 2	(6,035)	46,437	-	40,402
- Stage 1 to Stage 3	(1,875)	-	82,465	80,590
- Stage 2 to Stage 3	-	(7,047)	71,777	64,730
- Stage 2 to Stage 1	8,175	(39,428)	-	(31,253)
- Stage 3 to Stage 2	-	-	-	-
Transferred within the period	55,028	51,262	119,984	226,274
Collections	(8,028)	(21,663)	(11,284)	(40,975)
Write-offs	-	-	(59,705)	(59,705)
Currency differences	-	-	-	-
Total expected credit losses 31 December 2018	**85,416**	**149,047**	**769,345**	**1,003,808**

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

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

6. Information on loans: (continued)

m) Other explanations and footnotes (continued)

Current Period

Credit Cards	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non- performing loans (Stage 3)	Total
31 December 2018	51,561	52,947	128,307	232,815
Transfers;				
- Stage 1 to Stage 2	(5,389)	27,657	-	22,268
- Stage 1 to Stage 3	(2,850)	-	71,316	68,466
- Stage 2 to Stage 3	-	(7,962)	67,091	59,129
- Stage 2 to Stage 1	7,383	(17,452)	-	(10,069)
- Stage 3 to Stage 2	-	-	-	-
Transferred within the period	13,240	3,035	(91,447)	(75,172)
Collections	(6,717)	(11,256)	-	(17,973)
Sold Portfolio	-	-	(82,899)	(82,899)
Write-offs	-	-	-	-
Currency differences	-	-	-	-
Total expected credit losses 31 December 2019	**57,228**	**46,969**	**92,368**	**196,565**

Prior Period

Credit Cards	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non- performing loans (Stage 3)	Total
31 December 2017	47,714	3,258	82,700	133,672
IFRS 9 transition effect	(6,092)	26,142	5,823	25,873
Transfers;				
- Stage 1 to Stage 2	(6,304)	31,837	-	25,533
- Stage 1 to Stage 3	(732)	-	39,448	38,716
- Stage 2 to Stage 3	-	(1,302)	17,590	16,288
- Stage 2 to Stage 1	5,922	(11,082)	-	(5,160)
- Stage 3 to Stage 2	-	-	-	-
Transferred within the period	15,536	11,413	45,601	72,550
Collections	(4,483)	(7,319)	-	(11,802)
Write-offs	-	-	(62,855)	(62,855)
Currency differences	-	-	-	-
Total expected credit losses 31 December 2018	**51,561**	**52,947**	**128,307**	**232,815**

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank holds relating to loans individually determined to be impaired at 31 December 2019 is TL 2,272,171 (31 December 2018: TL 1,365,215).

The fair value of the collateral of non-performing loans that do not exceed the risk:

	Current Period	Prior Period
Mortgage	1,595,390	952,032
Vehicle	161,143	173,263
Cash	1,068	500
Other (*)	514,570	239,420
Total	**2,272,171**	**1,365,215**

(*) Other amount includes Treasury backed and Portfolio guaranteed KGF guarantee amounting to TL 514,570 (31 December 2018: TL 239,407).

As of 31 December 2019, the fair value of the collaterals of the customers' total principal risk related to the loans under close monitoring is TL 3,406,585 (31 December 2018: TL 3,107,199).

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

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

6. Information on loans: (continued)

m) Other explanations and footnotes (continued)

Fair value of the part of the collaterals of the closely monitored loans that do not exceed the risk:

	Current Period	Prior Period
Mortgage	2,741,280	2,071,083
Vehicle	304,501	381,068
Cash	265,836	98,298
Other	94,968	937,818
Total	**3,406,585**	**3,488,267**

As of 31 December 2019 and 31 December 2018, the details of the commodities and real estates that the bank has acquired for disposal of credit receivables are as follows:

31 December 2019	Commercial	Consumer	Total
Residential, commercial or industrial properties	123,326	8,036	131,362
Other	-	-	-
Total	**123,326**	**8,036**	**131,362**

31 December 2018	Commercial	Consumer	Total
Residential, commercial or industrial properties	103,828	5,197	109,025
Other	79	-	79
Total	**103,907**	**5,197**	**109,104**

7. Information on financial assets measured at amortized cost:

a) a.1) Information on financial assets measured at amortized cost and subject to repurchase agreements:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Equity Securities	-	-	-	-
Bond, Treasury bill and similar investment securities	1,194,716	405,580	-	-
Total	**1,194,716**	**405,580**	**-**	**-**

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Equity Securities	-	-	-	-
Bond, Treasury bill and similar investment securities	1,978,084	-	480,116	-
Other	-	-	-	-
Total	**1,978,084**		**480,116**	**-**

Financial assets valued over their amortized cost classified as free warehouse TL 1,328,238 (31 December 2018: TL 2,311,964).

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

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

7. Information on financial assets measured at amortized cost(continued)

a.3) Information on held-to-maturity investments given as collateral or blocked:

	Current Period	Prior Period
Government Bonds	4,906,618	2,792,080
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Total	**4,906,618**	**2,792,080**

a.4) Information government debt securities measured at amortized cost:

	Current Period	Prior Period
Debt securities	4,906,618	2,792,080
Quoted on a Stock Exchange	4,906,618	2,792,080
Unquoted	-	-
Impairment Provision (-)	-	-
Total	**4,906,618**	**2,792,080**

a.5) Movement of financial assets measured at amortized cost:

	Current Period	Prior Period
Beginning Balance	2,792,080	401,854
Foreign Currency Differences on Monetary Assets	-	-
Purchases During the Year (*)(**)(***)	2,114,538	2,682,111
Disposals Through Sales and Redemptions	-	(291,885)
Impairment Provision (-)	-	-
Closing Balance	**4,906,618**	**2,792,080**

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

8. Information on associates (Net):

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

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

a.3) Explanations of consolidated associates: None (31 December 2018: None).

a.4) Information on sector information on consolidated associates: None (31 December 2018: None).

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

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

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

9. Information on subsidiaries (Net):

a) Information on shareholders' equity of significant subsidiaries:

Subsidiaries do not use internal capital adequacy assessment approach.

	TEB Faktoring A.Ş.	TEB Yatırım Menkul Değerler A.Ş.	TEB Portföy Yönetimi A.Ş.
Paid-in Capital to be Entitled for Compensation after All Creditors	30,000	28,794	6,860
Reserves	81,570	45,609	6,780
Net income for the period and prior period income	50,423	56,615	7,259
Income/ Loss recognized under equity in accordance with TAS	-	-	(116)
Leasehold Improvements on Operational Leases (-)	286	171	-
Goodwill and intangible asset and the related deferred tax liability (-)	2,613	2,544	389
Total Common Equity Tier 1 Capital	**159,094**	**128,303**	**20,394**
General Provision	3,439	-	-
Total Equity	**162,533**	**128,303**	**20,394**

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

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

d) Information on the consolidated subsidiaries:

d.1) Information on the consolidated subsidiaries:

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

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (*)	ir Value
1	2,084,042	161,993	2,483	219,469	-	39,385	35,992	-
2	175,654	131,018	3,252	41,739	-	31,755	31,424	-
3	26,749	20,783	1,301	3,561	157	4,917	3,698	-

(*) These figures are shown per BRSA financial statements as of 31 December 2018.

d.2) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	115,986	115,986
Movements during the period	-	-
Purchases	-	-
Bonus shares obtained	-	-
Share in current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment	-	-
Balance at the end of the period	**115,986**	**115,986**
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

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

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

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies/TEB Faktoring A.Ş.	43,417	43,417
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries/TEB Yatırım Men. Değ. A.Ş.	70,511	70,511
TEB Portföy Yönetimi A.Ş.	2,058	2,058
Total	**115,986**	**115,986**

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

10. Explanations on entities under common control (joint ventures):

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

Entities under common control (joint ventures)	Share of the Bank (%)	Share of the Group (%)	Current Asset	Non-current Asset	Long-term Receivable	Profit	Loss
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	0.1	33.3	82,142	55,477	12,367	209,770	(175,403)

b) Accounting method of the reasonable justification of unconsolidated in Joint Ventures that booked on the unconsolidated the Bank's financial statements:

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	7,024	14,112	-	-
Cash Flow Hedge	219,494	877	502,479	-
Foreign Net Investment Hedge	-	-	-	-
Total	**226,518**	**14,989**	**502,479**	**-**

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

According to cash flow hedges terminated by the Bank, accumulated valuation differences amounted TL 20,286 (31 December 2018: TL 24,658) is recorded under equity as of 31 December 2019 and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

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

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

13. Information on investment properties:

	31 December 2018	TFRS 16 Transition Effect 1 January 2019	Purchases	Sales	Other	31 December 2019
Cost:						
Real estate	113,912	-	525	(4,738)	12	109,711
Right of Use	-	918,718	142,762	(44,241)	-	1,017,239
Furniture, Furnishings, Office Machines and Other Securities	791,439	-	134,121	(45,952)	(12)	879,596
Total cost	**905,351**	**918,718**	**277,408**	**(94,931)**	**-**	**2,006,546**

	31 December 2018	TFRS 16 Transition Effect 1 January 2019	Period Charge	Sales	Other	31 December 2019
Accumulated Depreciation:						
Real estate	50,819	-	4,103	(3,120)	-	51,802
Right of Use Depreciation	-	383,630	139,751	(44,241)	-	479,140
Furniture, Furnishings, Office Machines and Other Securities	562,242	-	80,875	(45,317)	22	597,822
Total Accumulated Depreciation	**613,061**	**383,630**	**224,729**	**(92,678)**	**22**	**1,128,764**
Net Book Value	**292,290**					**877,782**

a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.

b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

14. Information on intangible assets:

	31 December 2018	Purchases	Sales	Other	31 December 2019
Cost:					
Other Intangible Assets	370,563	98,323	(553)	-	468,333
Total cost	**370,563**	**98,323**	**(553)**	**-**	**468,333**

	31 December 2018	Depreciation Expense	Sales	Other	31 December 2019
Accumulated Depreciation:					
Other Intangible Assets	263,247	70,560	(214)	(22)	333,571
Total Accumulated Depreciation	**263,247**	**70,560**	**(214)**	**(22)**	**333,571**
Net Book Value	**107,316**				**134,762**

a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.

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

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

14. Information on intangible assets: (continued)

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None.

d) Book value of intangible assets that are restricted or pledged in use: None.

e) Amount of purchase commitments for intangible fixed assets: None.

f) Information on revalued intangible assets according to their types: None.

g) Amount of total research and development expenses recorded in income statement within the period if any: None.

h) Positive or negative consolidation goodwill on entity basis: Not applicable for unconsolidated financial statements.

i) Information on goodwill:

Following the publication of the BRSA's permission dated February 10, 2011 in the Official Gazette dated February 12, 2011 and numbered 27844, all rights by the termination of the legal personality of Fortis Bank A.Ş. The merger of two banks was realized through the transfer of receivables, liabilities and liabilities to the Bank in the form of ashes. The shareholders of Fortis Bank A.Ş., which was dismissed due to the merger, were given 1.0518 registered TEB shares for each share with a nominal value of 1 TL to be replaced with their existing shares. Since the enterprises subject to this merger are not controlled by the same person or persons before and after the business merger, the transaction has been evaluated within the scope of TFRS 3. Fortis Bank A.Ş. The difference between this value and the fair value of Fortis Bank A.Ş.'s identifiable net assets acquired is recognized as goodwill, considering the fair value of the equity shares subject to change as a result of the merger as of 14 February 2011. It has been recognized.

j) Beginning of the period, the balance of the period and the intra-period movements of the goodwill:

	Current Period	**Prior Period**
Beginning period	421,124	421,124
Exchange differences	-	-
Acquisitions	-	-
Balance at the end of the period	**421,124**	**421,124**

15. Information on investment properties: None (31 December 2018: None)

16. Information on deferred tax assets:

a) As of 31 December 2019, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL 650,094 (31 December 2018: TL 187,325). There are no tax exemptions or deductions over which deferred tax asset is computed.
b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.

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

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

16. Information on deferred tax assets (continued)

d) Movement of deferred tax:

	Current Period	Prior Period
As of January 1	**187,325**	**69,095**
TFRS 9 Transition Effect	-	219,896
TFRS 16 Transition Effect	24,083	-
Deferred Tax Income / (Expense)	182,340	(99,544)
Deferred Tax Accounted Under Equity	256,346	(2,122)
Deferred Tax Asset	**650,094**	**187,325**

After net off the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. The deferred tax income of TL182,340 is stated under the tax provision in the income statement (31 December 2018: TL 99,544 expense). The portion of the deferred tax that is directly attributable to equity which is presented in the table below has been netted within the relevant accounts in the statement of shareholders' equity.

	Current Period	Prior Period
Financial assets fair value through other comprehensive income	(44,390)	29,676
From hedge accounting	302,891	(38,364)
Actuarial gains and losses	(2,155)	6,566
Total	**256,346**	**(2,122)**

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

	Current Period	Prior Period
Beginning of Period Cost	109,104	90,677
Accumulated Depreciation at the Beginning of the Period (-)	-	-
Net Book Value	**109,104**	**90,677**
Opening Balance	109,104	90,677
Acquired	149,647	109,037
Disposed (-)	122,922	88,923
Impairment (-)	4,467	1,687
Depreciation Value (-)	-	-
Period End Cost	131,362	109,104
Period End Accumulated Depreciation (-)	-	-
Closing Net Book Value	**131,362**	**109,104**

18. Information on other assets:

Other assets of the balance sheet amount to TL 4,442,248 (31 December 2018: TL 2,098,320) and do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

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

II. Explanations and Disclosures Related to the Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year and Over	Accumulated Deposits	Total
Saving Deposits	2,913,675	-	11,685,382	8,760,022	198,974	159,316	142,791	-	23,860,160
Foreign Currency Deposits	8,689,233	-	9,179,868	16,994,157	220,469	75,587	91,126	-	35,250,440
Residents in Turkey	8,125,778	-	8,724,284	16,524,666	196,404	32,768	74,233	-	33,678,133
Residents Abroad	563,455	-	455,584	469,491	24,065	42,819	16,893	-	1,572,307
Public Sector Deposits	424,598	-	73,628	50,872	7,475	-	-	-	556,573
Commercial Deposits	3,315,957	-	3,921,717	1,904,438	101,496	3,210	55,398	-	9,302,216
Other Institutions Deposits	143,878	-	65,741	266,882	12,458	91	554	-	489,604
Precious Metals Deposits	1,275,586	-	90,788	700,588	38,080	142,511	101,470	-	2,349,023
Bank Deposits	23,739	-	362,573	-	-	-	-	-	386,312
Central Bank of Turkey	25	-	-	-	-	-	-	-	25
Domestic Banks	16	-	-	-	-	-	-	-	16
Foreign Banks	23,698	-	358,772	-	-	-	-	-	382,470
Special Financial Institutions	-	-	3,801	-	-	-	-	-	3,801
Other	-	-	-	-	-	-	-	-	-
Total	**16,786,666**	**-**	**25,379,697**	**28,676,959**	**578,952**	**380,715**	**391,339**	**-**	**72,194,328**

a.2) Prior period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year and Over	Accumulated Deposits	Total
Saving Deposits	1,843,615	-	7,064,993	12,635,918	2,592,790	347,412	135,942	-	24,620,670
Foreign Currency Deposits	6,125,847	-	5,702,852	13,314,064	362,293	219,166	168,175	-	25,892,397
Residents in Turkey	5,552,284	-	5,412,121	12,857,489	342,378	184,563	156,348	-	24,505,183
Residents Abroad	573,563	-	290,731	456,575	19,915	34,603	11,827	-	1,387,214
Public Sector Deposits	336,258	-	60,453	70,442	29,249	-	-	-	496,402
Commercial Deposits	2,672,300	-	1,769,680	3,147,808	820,947	255,150	388,716	-	9,054,601
Other Institutions Deposits	111,946	-	55,337	1,230,038	235,821	951,051	111,587	-	2,695,780
Precious Metals Deposits	507,192	-	34,816	512,511	32,089	95,628	-	-	1,182,236
Bank Deposits	47,697	-	227,383	-	-	-	-	-	275,080
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	21	-	-	-	-	-	-	-	21
Foreign Banks	17,495	-	227,383	-	-	-	-	-	244,878
Special Financial Institutions	30,181	-	-	-	-	-	-	-	30,181
Other	-	-	-	-	-	-	-	-	-
Total	**11,644,855**	**-**	**14,915,514**	**30,910,781**	**4,073,189**	**1,868,407**	**804,420**	**-**	**64,217,166**

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

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

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

Saving Deposits	**Under the Guarantee of Insurance (*)**		**Exceeding the Limit of Insurance (*)**	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Saving Deposits	14,607,157	11,576,580	8,731,764	12,344,862
Foreign Currency Saving Deposits	6,075,469	3,449,885	12,928,549	11,524,532
Other Deposits in the Form of Saving Deposits	781,197	271,856	1,320,538	764,746
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-	-	-
Total	**21,463,823**	**15,298,321**	**22,980,851**	**24,634,140**

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

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

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

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

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

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

	Current Period	Prior Period
Foreign Branches' Deposits and Other Accounts	615,203	590,915
Deposits of Controlling Shareholders and Their Close Families	3,823,134	1,393,010
Deposits of Chairman and Members of the Board of Directors and Their Close Families	68,002	58,066
Deposits Obtained Through Illegal Acts Defined in the 282nd Article of the 5237 Numbered Turkish Criminal Code Dated 26 September 2004.	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off Shore Banking Activities	-	-

2. Information on derivative financial liabilities:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	97,772	25,075	149,769	37,072
Swap Transactions	1,362,074	71,890	2,014,714	28,648
Futures Transactions	-	-	-	-
Options	26,488	3,285	134,174	5,119
Other	-	-	-	6,265
Total	**1,486,334**	**100,250**	**2,298,657**	**77,104**

3. Information on funds borrowed:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds Borrowed from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	307,801	169,120	243,558	608,957
From Foreign Banks, Institutions and Funds	-	8,100,061	-	10,913,648
Total	**307,801**	**8,269,181**	**243,558**	**11,522,605**

As of 31 December 2019, the Bank has borrowings from its related parties amounting to TL 3,507,164 (31 December 2018: TL 4,671,779).

b) Maturity analysis of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	307,801	4,735,058	243,558	7,240,036
Medium and long-term	-	3,534,123	-	4,282,569
Total	**307,801**	**8,269,181**	**243,558**	**11,522,605**

c) Additional explanations regarding the areas where the Bank's obligations are concentrated:

The Bank diversifies its funding sources with customer deposits, loans from abroad, securities issued and borrowings from money markets. Deposits are the most important source of funding of the Bank and do not present any risk concentration with its stable structure spread over a wide base. Loans received mainly consist of funds obtained from various foreign financial institutions with different features and maturity-interest structure. There is no risk concentration in the bank's funding sources.

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

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

3. Information on loans received and securities issued: (continued)

d) Information on Debt Securities Issued:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Bank Bonds	2,333,877	-	526,592	-
Treasury Bills	-	-	-	-
Total	**2,333,877**	**-**	**526,592**	**-**

4. Funds provided through repurchase transactions:

Information on funds provided through repurchase transactions:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From Domestic Transactions	**1,317,498**	**327,167**	**62,543**	**-**
Financial Institutions and Organizations	1,317,498	327,167	62,543	-
Other Institutions and Organizations	-	-	-	-
Individuals	-	-	-	-
From Overseas Transactions	-	-	-	-
Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Individuals	-	-	-	-
Total	**1,317,498**	**327,167**	**62,543**	**-**

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

Other foreign sources item of the balance sheet is TL 1,293,901 (31 December 2018: TL 1,806,383) and does not exceed 10% of the total balance sheet.

6. Explanation on financial lease obligations (Net):

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

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
For the protection of fair value risk	-	-	-	-
For cash flow hedge purposes	1,917,707	7,267	384,325	4,857
For protection from net investment risk abroad	-	-	-	-
Total	**1,917,707**	**7,267**	**384,325**	**4,857**

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

As of 31 December 2019, there are accumulated valuation differences of TL 20,286 (31 December 2018: TL 24,658) under equity as of 31 December 2019. This amount is spread over the remaining terms of the hedged items by the Bank and transferred to the income statement.

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

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

8. Information on provisions:

a) Foreign exchange provision on the foreign currency indexed loans and financial lease receivables: There are no provision on the foreign currency indexed loans that is offset from the loans on the balance sheet (31 December 2018: None).

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

	Current Period	Prior Period
Stage 1	55,551	50,741
Stage 2	145,818	104,221
Stage 3	42,111	47,697
Total	**243,480**	**202,659**

c) Liabilities regarding leave, premium, health and severance pay:

As of 31 December 2019, the Bank received a TL 12,344 (31 December 2018: TL 12,744) allowance, TL 192,002 (31 December 2018: TL 173,020), and 139,152 TL (31 December 2018: TL 143,382) related to the premiums to be paid to bank personnel. provision and 32,100 TL (31 December 2018: None) reflected the provision of other personnel expenses to the "Provisions for Employee Rights" account in the financial statements.

c.1) Severance pay:

In determining the liability, the Bank makes use of independent actuaries and makes assumptions on issues such as discount rate, employee turnover rate and future salary increases. These assumptions are reviewed annually:

	31 December 2019	31 December 2018
Discount rate (%)	12.51	16.70
Estimated inflation rate (%)	6.59	11.20
Salary increase rate over inflation rate (%)	1.00	1.00

Severance pay act table

	Current Period	Prior Period
As of January 1	173,020	118,236
Current service cost	18,702	12,398
Interest cost	28,185	13,552
Reductions and payments	(37,529)	(14,851)
Actuarial loss / (gain)	577	39,509
Compensations paid	9,047	4,176
Total	**192,002**	**173,020**

c.2) Pension Rights:

The employees who have joined the Bank as a consequence of the merger of TEB and Fortis Bank are members of the "Pension Fund Foundation" established in accordance with the Social Security Law No.506, Article No.20.

The liabilities described in the Retirement Fund Section 3 No. XVI "Explanations on Liabilities related to Rights of Employees" which may arise during the transfer have been calculated by the actuary based on the principles of the related regulation, whereas the liabilities in connection with other social rights and benefits which will not be undertaken by the SSI after the transfer have been calculated by the actuary based on TAS 19 principles. The Bank is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2019 and 31 December 2018. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

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

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

8. Information on provisions: (continued)

c) Obligations related to leave, premium, health and severance pay: (continued)

c.2) Pension Rights: (continued)

Within the frame of the assumptions determined;

Period Based Pension and Health Obligations:	**31 December 2019**	**31 December 2018**
Net Present Value of Transferrable Retirement Liabilities	(919,469)	(762,544)
Net Present Value of Transferrable Retirement and Health Contributions	355,986	336,330
General Administration Expenses	(9,195)	(7,625)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(572,678)	(433,839)
Fair Value of Plan Assets (2)	2,646,999	2,221,325
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	2,074,321	1,787,486
Non-Transferable Benefits (4)	(404,727)	(414,945)
Asset Surplus over Total Benefits ((3)-(4)	1,669,594	1,372,541

As of 31 December 2019 and 31 December 2018, the distribution of the fair value of the total assets of the Pension Fund is as follows:

	31 December 2019	**31 December 2018**
Bank placements	1,119,326	2,084,814
Government bonds and treasury bills, fund and rediscount interest income	1,278,238	-
Property, plant and equipment	114,378	106,383
Other	135,057	30,128
Total	**2,646,999**	**2,221,325**

Actuarial assumptions used in the calculation of liabilities excluding the period-based liabilities according to TAS 19 are as follows:

	31 December 2019	**31 December 2018**
Discount rates	12.51%	16.70%
Inflation expectations	6.59%	11.20%

As of 31 December 2019, health inflation is assumed to be above 20% (31 December 2018: 20%). It is assumed that general wage increase and SSI ceiling increase rates will be the same as inflation. CSO 2001 (31 December 2018: CSO 2001) Female / Male mortality table was used to represent the expected mortality rates both before and after retirement.

d) Information on other provisions:

	Current Period	**Prior Period**
Provision for Non-Cash Loans	243,480	202,659
Provision for Legal Cases	51,069	65,111
Provision for Promotions of Credit Cards and Banking Services	12,936	12,622
Other	142,899	50,594
Total	**450,384**	**330,986**

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

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

8. Information on provisions: (continued)

d) Information on other provisions (continued)

Below is the reconciliation of impairment provisions for non-cash loans;

Current Period	Standard Qualified Loans (Stage I)	Loans in Close Monitoring (Stage II)	Loans Under Follow-Up (Stage III)	Total
31 December 2018	50,741	104,222	47,696	202,659
Transfers;	-	-	-	-
- Stage 1 to Stage 2	(3,253)	30,060	-	26,807
- Stage 1 to Stage 3	(282)	-	6,045	5,763
- Stage 2 to Stage 3	-	(3,768)	31,155	27,387
- Stage 2 to Stage 1	2,084	(6,592)	-	(4,508)
- Stage 3 to Stage 2	-	-	-	-
Transmitted during the period	28,313	34,932	(27,256)	35,989
collections	(23,649)	(19,738)	(15,529)	(58,916)
deleted	-	-	-	-
Exchange differences	1,597	6,702	-	8,299
Total Expected Loss Reserve 31 December 2019	**55,551**	**145,818**	**42,111**	**243,480**

Prior Period	Standard Qualified Loans (Stage I)	Loans in Close Monitoring (Stage II)	Loans Under Follow-Up (Stage III)	Total
31 December 2017	30,407	359	48,741	79,507
TFRS9 transition effect	9,466	51,650	(26,949)	34,167
Transfers;				
- Stage 1 to Stage 2	(2,680)	22,071	-	19,391
- Stage 1 to Stage 3	(857)	-	17,513	16,656
- Stage 2 to Stage 3	-	(4,465)	42,305	37,840
- Stage 2 to Stage 1	7,063	(16,753)	-	(9,690)
- Stage 3 to Stage 2	-	-	-	-
Transmitted during the period	24,096	70,315	(13,757)	80,654
collections	(16,754)	(18,955)	(20,157)	(55,866)
deleted	-	-	-	-
Exchange differences	-	-	-	-
Total Expected Loss Reserves 31 December 2018	**50,741**	**104,222**	**47,696**	**202,659**

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

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

9. Explanations on taxes payable:

a) Information on tax provision:

As of 31 December 2019, the Bank's corporate tax liability is TL 29,289 (31 December 2018: TL 96,184). As of 31 December 2019, the Bank's debt on total taxes and premiums is TL 213,516 (31 December 2018: TL 291,338).

b) Information on current tax liability:

	Current Period	Prior Period
Corporate Tax Payable	29,289	96,184
Taxation on Securities	70,139	76,902
Property Tax	2,569	2,379
Banking Insurance Transaction Tax (BITT)	59,307	73,128
Foreign Exchange Transaction Tax	2,430	39
Value Added Tax Payable	5,073	4,712
Other (*)	23,408	20,192
Total	**192,215**	**273,536**

(*) Others include income taxes deducted from wages amounting to TL 19,419 (31 December 2018: TL 16,820) and stamp taxes payable amounting to TL 1,518 (31 December 2018: TL 1,693).

c) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	9,114	7,641
Social Security Premiums-Employer	10,133	8,432
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	775	656
Unemployment Insurance-Employer	1,279	1,073
Other	-	-
Total	**21,301**	**17,802**

d) Explanations on deferred tax liabilities, if any: the Bank does not have any deferred tax liabilities as of 31 December 2019 (31 December 2018: None).

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

10. Information on fixed assets payables related to activities held and discontinued for sale: None (31 December 2018: None).

11. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

The Bank earned a $ 210 million USD with a 10-year maturity on 5 November 2018 at the earliest, but not earlier than 5 year. At the end of the 5th year and in the subsequent first interest payment period, it issued 2 subordinated debt securities with early amortization. The interest rate of the issuance is 10.40% per annum and will continue with the 6-month Libor + 7.32% annual interest rate after the first early amortization at the end of the 5th year. Said "contribution capital" was provided by BNP Paribas Fortis SA / NV.

At the Board of Directors meeting held on 8 May 2012, the Bank decided to issue a debt instrument of USD 65 million as Secondary Capital-like Borrowing on 14 May 2012. Issue interest rate of six months USD Libor + is determined as 5.75% annually. The maturity of the debt instrument is 14 May 2024 and there is no repayment option before the maturity in the first seven years. The debt instrument was amortized on 14 May 2019 after the decision of the relevant Board of Directors and the approval of the BRSA. On 14 May 2019, the Bank issued a subordinated debt securities with a maturity of 60 million EURO with a maturity of 10 years, with no earliest 5 years, at the earliest in the 5th year and in the following first interest payment period. The interest rate of the issue is six months Euribor + 7.10% annually. The contribution capital" was provided by BNP Paribas Fortis SA / NV.

On 20 July 2012, the Bank decided to issue a debt instrument of EUR 100 million as Secondary Capital-like Borrowing. The interest rate of the issue is six months Euribor + 4.75% annually. The maturity of the debt instrument is 20 July 2024 and there is no repayment option before the maturity in the first seven years. The debt instrument was amortized on 22 July 2019 after the decision of the relevant Board of Directors and the approval of the BRSA. On 22 July 2019, the Bank issued a subordinated debt securities with a maturity of 100 million EURO, with a maturity of 10 years, with no earliest 5 years, at the earliest at the end of the 5th year and in the first interest payment period thereafter. The interest rate of the issue is six months Euribor + 7.10% annually. The contribution capital" was provided by BNP Paribas Fortis SA / NV.

The Bank issued subordinated debt securities with a maturity of 125 million EUR on 27 June 2018, with a maturity of 10 years and an early amortization on 27 June 2023. The interest rate of the issue is 6 months Euribor + 5.10% annually. The "contribution capital" is provided by BNP Paribas Fortis SA / NV

All of the four subordinated loans mentioned above have been used in line with the BRSA's "loan capital" definitions, and have a positive impact on the Bank's capital adequacy ratio, as well as creating long-term funds for the Bank.

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

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

11. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowing Tools to be Included in Additional Capital Calculation	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments to be Included in the Contribution Capital Calculation	-	3,190,503	-	2,843,148
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	3,190,503	-	2,843,148
Total	**-**	**3,190,503**	**-**	**2,843,148**

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	-	-	-	-
Foreign Banks	-	3,190,503	-	2,496,465
Branches and Head Office Abroad	-	-	-	346,683
Total	**-**	**3,190,503**	**-**	**2,843,148**

12. Information on Shareholders' Equity:

a) Presentation of Paid-in Capital:

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

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

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

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

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

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

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

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

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

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

12. Information on Shareholders' Equity: (continued)

g) Information on preferred shares: None.

h) Information on marketable securities valuation differences:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference	(3,474)	20,895	(131,232)	(8,323)
Foreign Exchange Difference	-	-	-	-
Total	**(3,474)**	**20,895**	**(131,232)**	**(8,323)**

13. Information on minority interests: None (31 December 2018: None).

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

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

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	8,506,931	6,093,650
Loan Granting Commitments	5,234,372	4,402,209
Asset Purchase and Sale Commitments	3,684,822	3,128,940
Payment Commitments for Cheques	1,769,641	1,681,617
Tax and Fund Liabilities from Export Commitments	71,566	54,955
Commitments for Promotions Related with Credit Cards and Banking Activities	4,975	4,357
Time Deposit Purchase and Sale Commitments	759,924	603,610
Other Irrevocable Commitments	249,768	107,073
Total	**20,281,999**	**16,076,411**

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

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

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

	Current Period	Prior Period
Letters of credit	2,623,851	2,691,811
Bank acceptances	12,915	34,672
Other commitments	5,031,959	4,838,088
Other contingencies	1,153,720	1,033,453
Total	**8,822,445**	**8,598,024**

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

	Current Period	Prior Period
Final letters of guarantee	9,855,883	9,801,321
Advance letters of guarantee	1,481,220	1,681,247
Letters of guarantee given to the customs	429,999	519,302
Temporary letters of guarantee	286,101	386,289
Other letters of guarantee	1,499,838	1,684,317
Total	**13,553,041**	**14,072,476**

c) c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	1,499,838	1,684,317
With Maturity of One Year or Less Than One Year	130,687	268,524
With Maturity of More Than One Year	1,369,151	1,415,793
Other Non-Cash Loans	20,875,648	20,986,183
Total	**22,375,486**	**22,670,500**

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

III. Explanations and Disclosures Related to the Off-Balance Sheet Items (continued)

1. Information on off-balance sheet liabilities: (continued)

c.2) Information on sectoral risk breakdown of non-cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	33,515	0.37	30,972	0.23	47,823	0.51	44,716	0.33
Farming and raising livestock	20,044	0.22	30,972	0.23	31,599	0.34	44,716	0.33
Forestry, Wood and Paper	-	-	-	-	-	-	-	-
Fishery	13,471	0.15	-	-	16,224	0.17	-	-
Manufacturing	2,361,726	25.87	6,761,713	51.05	2,708,372	29.12	7,080,287	52.96
Mining and Quarry	123,105	1.35	672,430	5.08	218,525	2.35	233,095	1.74
Production	2,159,522	23.65	5,914,253	44.65	2,370,092	25.48	6,588,980	49.29
Electricity, Gas and Water	79,099	0.87	175,030	1.32	119,755	1.29	258,212	1.93
Construction	1,548,096	16.96	2,273,895	17.17	1,943,616	20.89	2,317,908	17.34
Services	5,132,770	56.22	4,116,286	31.08	4,376,238	47.04	3,562,957	26.65
Wholesale and Retail Trade	1,257,201	13.77	1,112,311	8.40	1,304,288	14.02	1,220,149	9.13
Hotel, Tourism, Food and Beverage Services	133,984	1.47	71,748	0.54	109,997	1.18	62,813	0.47
Transportation and Communication	450,731	4.94	446,030	3.37	571,791	6.15	402,858	3.01
Financial Institutions	979,561	10.73	1,495,269	11.29	521,690	5.61	751,657	5.62
Real Estate and Renting	2,197,820	24.07	953,721	7.20	1,746,329	18.77	1,018,659	7.62
Self- employment Services	96,719	1.06	35,562	0.27	92,457	0.99	104,080	0.78
Education Services	6,349	0.07	178	-	9,825	0.11	96	-
Health and Social Services	10,405	0.11	1,467	0.01	19,861	0.21	2,645	0.02
Other	54,412	0.60	62,101	0.47	226,264	2.43	362,319	2.71
Total	**9,130,519**	**100.00**	**13,244,967**	**100.00**	**9,302,313**	**100.00**	**13,368,187**	**100.00**

c.3) Information on Stage I and Stage II non-cash loans:

Current Period

	Stage I		Stage II	
Non-cash loans	**TL**	**FC**	**TL**	**FC**
Letters of guarantee	5,763,889	6,558,086	717,216	513,850
Bank acceptances	-	12,695	-	220
Letters of credit	260	2,479,195	-	144,396
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	2,600,335	3,358,168	48,819	178,357
Total	**8,364,484**	**12,408,144**	**766,035**	**836,823**

Prior Period

	Stage I		Stage II	
Non-cash loans	**TL**	**FC**	**TL**	**FC**
Letters of guarantee	6,321,989	6,584,098	562,196	604,193
Bank acceptances	-	34,439	-	233
Letters of credit	2,738	2,631,520	-	57,553
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	2,384,877	3,247,711	30,513	208,440
Total	**8,709,604**	**12,497,768**	**592,709**	**870,419**

The Bank provided a reserve for TL 286,647 (31 December 2018: TL 259,393) of non-cash loans not indemnified which equals to net amounting to TL 42,111 (31 December 2018: TL 47,696).

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

III. Explanations and Disclosures Related to the Off-Balance Sheet Items (continued)

2. Information related to derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign currency related derivative transactions (I):	78,045,061	82,690,619	-	-
Forward transactions	10,742,282	11,993,806	-	-
Swap transactions	58,730,372	58,021,271	-	-
Futures transactions	71,526	-	-	-
Option transactions	8,500,881	12,675,542	-	-
Interest related derivative transactions (II):	8,401,316	3,099,012	-	-
Forward rate transactions		-	-	-
Interest rate swap transactions	8,401,316	3,099,012	-	-
Interest option transactions	-	-	-	-
Futures interest transactions	-	-	-	-
Marketable securities call-put options (III)	-	-	-	-
Other trading derivative transactions (IV)	43,150	141,773	-	-
A.Total trading derivative transactions (I+II+III+IV)	**86,489,527**	**85,931,404**	**-**	**-**
Types of hedging transactions				
Fair value hedges	-	-	1,740,184	-
Cash flow hedges	-	-	24,213,951	24,658,994
Net investment hedges	-	-	-	-
B. Total hedging related derivatives	**-**	**-**	**25,954,135**	**24,658,994**
Total Derivative Transactions (A+B)	**86,489,527**	**85,931,404**	**25,954,135**	**24,658,994**

Related to agreements of forward transactions and options; the information based on the type of forward and options transactions are disclosed separately, specified with related amounts, type of agreement, purpose of transaction, nature of risk, strategy of risk management, hedging relationship, possible effects on the Bank's financial position, timing of cash flows, reasons of unrealized transactions which previously projected to be realized, income and expenses that could not be linked to income statement in the current period because of the agreements:

Forward foreign exchange and swap transactions are based on protection from interest and currency fluctuations. According to TAS, they do not qualify as hedging instruments and are remeasured at fair value.

i) Derivative instruments for fair value hedging purposes:

In 2019, the Bank applied fair value hedge accounting in order to avoid the effects of interest rate fluctuations in the market by matching its swap portfolio with its loans and marketable securities. As of 31 December 2019, the nominal value of the derivative instruments for risk management purposes is TL 1,740,184 and the net fair value is TL 21,136.

	Current Period			Prior Period		
		Fair Value			Fair Value	
	Nominal	Asset	Liability	Nominal	Asset	Liability
Cross Currency Swaps	1,740,184	21,136	-	-	-	-
Interest Rate Swaps	-	-	-	-	-	-
Total	**1,740,184**	**21,136**	**-**	**-**	**-**	**-**

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

III. Explanations and Disclosures Related to the Off-Balance Sheet Items (continued)

2. Information related to derivative financial instruments: (continued)

ii) Derivative instruments for cash flow hedge purposes:

The Bank has applied cash flow hedge accounting by matching its swap portfolio with total notional amounting to TL 24,213,951 (31 December 2018: TL 24,658,994) and 1-90 days of maturity deposit portfolio together with selected borrowing portfolio. Effective portion of TL 1,112,750 (31 December 2018: TL 350,622) credit accounted for under equity is presented after deducting its deferred tax effect of TL 226,000 (31 December 2018: TL76,890) debit in the financial statements. In 2019, ineffective portion of TL 20,286 (31 December 2018: 24,658) expense is accounted for under income statement.

	Current Period			Prior Period		
		Fair Value			Fair Value	
	Nominal	Asset	Liability	Nominal	Asset	Liability
Cross Currency Swaps	7,611,850	218,639	875,965	2,936,400	295,600	198,026
Interest Rate Swaps	16,602,101	1,732	1,049,009	21,722,594	206,879	191,156
Total	**24,213,951**	**220,371**	**1,924,974**	**24,658,994**	**502,479**	**389,182**

3. Credit derivatives and risk exposures on credit derivatives: None

4. Explanations on contingent liabilities and assets:

a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venture: None.

a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None.

a.3) The Bank’s contingent liabilities resulting from liabilities of other ventures in entities under common control (joint ventures): None.

b) Accounting and presentation of contingent assets and liabilities in the financial statements:

b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes: As of 31 December 2019, there are no contingent assets that need to be explained (31 December 2018: None).

b.2) A provision is made for contingent liabilities, if realization is probable and the amount can be reliably determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes. The Bank has provided provision amounting to TL 51,069 for various lawsuits filed by various individuals and institutions with high probability of occurrence and cash outflow. This amount is presented under Other Provisions in the financial statements.

5. Custodian and intermediary services:

The Bank provides trading and safe keeping services in the name and account of third parties, which are presented in the statement of contingencies and commitments.

III. Explanations and Disclosures Related to the Off-Balance Sheet Items (continued)

6. The information on the Bank's rating by the international rating introductions (*):

TEB maintained its position as one of the most highly rated banks in Turkey. As of 31 December 2019, TEB's ratings were as follows:

Moody's Investor Services:

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

Fitch Ratings:

Foreign Currency	
Long-term	B+
Short-term	B
Outlook	Stable
Turkish Lira	
Long-term	BB-
Short-term	B
Outlook	Stable
National	AA (tur)
Outlook	Stable
Financial Strength	b+

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

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

IV. Explanations and Disclosures Related to the Statement of Income

1. Explanations on Interest Income

a) Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest income on loans (*)				
Short term loans	4,675,069	356,415	4,289,402	307,025
Medium and long term loans	5,137,128	269,578	4,611,920	336,819
Interest on loans under follow-up	229,865	-	148,034	1,295
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	**10,042,062**	**625,993**	**9,049,356**	**645,139**

(*) Includes fees and commissions obtained from cash loans amounting to TL 225,870 (31 December 2018: TL 120,720).

b) Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	22,728	-	19,422
Domestic banks	142,459	2,975	130,507	2,273
Foreign banks	15,024	51,081	14,102	58,460
Branches and head office abroad	-	-	-	-
Total	**157,483**	**76,784**	**144,609**	**80,155**

c) Information on interest income on marketable securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	159,911	27,970	153,166	13,768
Financial Assets at Fair Value Through Other Comprehensive Income	282,760	48,203	493,807	15,350
Financial Assets Measured at Amortized Cost	571,203	41,639	435,730	-
Total	**1,013,874**	**117,812**	**1,082,703**	**29,118**

d) Interest Income on Subsidiaries and Associates:

	Current Period	Prior Period
Interest received from Subsidiaries and Associates	17,214	1,114

2. Explanations on Interest Expense

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
The Central Bank of Turkey	-	-	-	-
Domestic banks	43,880	16,087	14,298	15,056
Foreign banks	-	457,616	-	440,336
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	**43,880**	**473,703**	**14,298**	**455,392**

(*) Includes fees and commission expenses of cash loans amounting to TL 23,055 (31 December 2018: TL 18,654).

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

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

2. Explanations on Interest Expense (continued)

b) Information on interest expense on associates and subsidiaries:

	Current Period	Prior Period
Interest expenses to associates and subsidiaries	2,103	3,790

c) Information on interest expenses on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on securities issued	514,885	-	251,229	116
Total	**514,885**	**-**	**251,229**	**116**

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

Current Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulated Deposits	Total
TL								
Bank Deposits	-	39,449	-	-	-	-	-	39,449
Saving Deposits	9	1,595,995	1,948,510	137,972	45,953	35,407	-	3,763,846
Public Sector Deposits	-	4,463	6,465	2,174	-	-	-	13,102
Commercial Deposits	235	465,464	530,438	54,558	31,676	46,726	-	1,129,097
Other Deposits	-	7,238	158,706	14,990	73,986	4,870	-	259,790
7 Days Call Accounts	-	-	-	-	-	-	-	-
FC								
Foreign Currency Deposits	-	95,599	304,254	5,303	4,492	3,929	-	413,577
Bank Deposits	-	8,327	-	-	-	-	-	8,327
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	1	682	12,328	1,108	3,037	1,128	-	18,284
Total	**1**	**104,608**	**316,582**	**6,411**	**7,529**	**5,057**	**-**	**440,188**
Grand Total	**245**	**2,217,217**	**2,960,701**	**216,105**	**159,144**	**92,060**	**-**	**5,645,472**

Prior Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulated Deposits	Total
TL								
Bank Deposits	-	40,583	-	-	-	-	-	40,583
Saving Deposits	9	936,448	2,430,755	170,360	25,026	6,834	-	3,569,432
Public Sector Deposits	-	1,986	28,297	3,647	-	-	-	33,930
Commercial Deposits	7	324,551	779,885	133,348	47,432	29,421	-	1,314,644
Other Deposits	-	16,746	169,924	99,501	332,203	17,494	-	635,868
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**16**	**1,320,314**	**3,408,861**	**406,856**	**404,661**	**53,749**	**-**	**5,594,457**
FC								
Foreign Currency Deposits	5	90,798	549,710	9,041	3,751	4,089	-	657,394
Bank Deposits	-	10,820	-	-	-	-	-	10,820
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	487	8,898	552	2,246	-	-	12,183
Total	**5**	**102,105**	**558,608**	**9,593**	**5,997**	**4,089**	**-**	**680,397**
Grand Total	**21**	**1,422,419**	**3,967,469**	**416,449**	**410,658**	**57,838**	**-**	**6,274,854**

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

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

3. Information on dividend income:

	Current Period	Prior Period
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	1,326	435
Other	17,244	16,473
Total	**18,570**	**16,908**

4. Information on trading gain / loss:

	Current Period	Prior Period
Gains	**34,028,533**	**62,484,310**
Gains on capital market operations	449,304	165,933
Gains on derivative financial instruments (1)	14,068,159	23,020,693
Foreign exchange gains	19,511,070	39,297,684
Losses (-)	**35,039,066**	**62,909,232**
Losses on capital market operations	323,930	344,561
Losses on derivative financial instruments (1)	14,979,328	20,147,392
Foreign exchange losses	19,735,808	42,417,279

(1) Includes exchange rate fluctuations of hedging transactions net profit of TL 142,065 (31 December 2018: TL 231,265), derivative financial instruments exchange rate changes in profit / loss accounts amounting to TL 343,138 (31 December 2018: TL 669,843) net exchange income.

5. Information on other operating income:

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

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

a) Allowance for Expected Credit Losses and Other Provisions:

	Current Period	Prior Period
Expected Credit Losses	1,404,288	1,228,110
12-Month Expected Credit Losses (Stage 1)	40,818	92,738
Significant Increase in Credit Risk (Stage 2)	64,476	247,599
Credit-Impaired (Stage 3)	1,298,994	887,773
Impairment Provisions for Securities	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment Provision Related to Investments in Associates, Subsidiaries and Joint Ventures	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	89,173	19,644
Total	**1,493,461**	**1,247,754**

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

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

7. Information on other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits (1)	18,405	15,275
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	224,729	77,969
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	70,560	59,240
Impairment for investments accounted with equity method	-	-
Impairment expenses of assets to be disposed	4,467	1,687
Depreciation expenses of assets to be disposed	-	-
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	1,060,397	989,087
Leasing Expenses on TFRS 16 Exceptions (2)	52,448	248,941
Maintenance expenses	36,318	28,813
Advertisement expenses	67,796	86,823
Other expenses	903,835	624,510
Loss on sales of assets	10,778	4,762
Other (3)	355,756	266,280
Total	**1,745,092**	**1,414,300**

(1) The provision for employment termination benefits is included in the personnel expenses item in the financial statements.
(2) 31 December 2018 amounts represent all operating lease expenses.
(3) Includes other premiums and expenses paid to the Savings Deposit Insurance Fund amounting to TL 142,295 (31 December 2018: TL 101,862) and other taxes and fees paid in the amount of TL 149,358 (31 December 2018: TL 104,624).

8. Information on profit loss before continuing and discontinued operations before tax:

a) The portion of the profit before tax amounting to TL 5,499,238 (31 December 2018: TL 4,206,089) consists of net interest income, while TL 1,437,676 (31 December 2018: TL 1,270,224) consists of net fee and commission income; total operating expenses amount to TL 3,172,342 (31 December 2018: TL 2,646,846).

b) Explanations on discontinued operations profit loss: None.

9. Information on tax provision for continuing and discontinued operations:

a) As of 31 December 2019, the current tax expense is TL 525,749 (31 December 2018: TL 179,473). Deferred tax income is TL 182,340 (31 December 2018: TL 99,544 deferred tax expense) and there is no current and deferred tax income/expense from discontinued operations (31 December 2018: None).

b) Deferred tax income on temporary differences resulted from continued operations is TL 182,340 (31 December 2018: TL 99,544 deferred tax expense).

c) Tax reconciliation:

	Current Period	Prior Period
Profit before tax	**1,413,763**	**1,280,720**
Additions	**130,127**	**30,651**
Nonallowable expenses	96,927	28,621
Effect of different tax rate	33,200	2,030
Deductions	**16,095**	**(34,286)**
Dividend income	(18,218)	(16,718)
Other	34,313	(17,568)
Taxable Profit/ (Loss)	**1,559,985**	**1,277,085**
Corporate tax rate	%22	%22
Tax calculated	**343,197**	**280,959**
Prior year tax correction	212	(1,942)
Tax charge	**343,409**	**279,017**

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

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

10. Information on net profit / loss of continuing and discontinued operations:

Net profit of the Bank from the activities carried out as of 31 December 2019 is 1,070,354 TL (31 December 2018: TL 1,001,703), as of 31 December 2019 there is no net profit from discontinued operations (31 December 2018: None).

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

a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period: None (31 December 2018: None).

b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (31 December 2018: None).

c) Profit/ loss attributable to minority interest: None (31 December 2018: None).

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

	Current Period	Prior Period
Other fees and commissions received		
Card Fees and Commissions	1,313,155	1,011,356
Insurance Commissions	185,916	130,011
Periodic Service Commissions	166,434	140,599
Settlement Expense Provision, Eft, Swift, Agency Commissions	44,630	40,078
Transfer Commissions	39,659	30,651
Fund Management Fees	31,072	21,220
Commissions and Fees Earned from Correspondent Banks	4,502	4,254
Intelligence Fee and Commissions	1,157	51,883
Other	240,225	256,465
Total	**2,026,750**	**1,686,517**
Other fees and commissions paid		
Credit Cards Commissions and Fees	701,669	498,961
Commission and Fees Paid to Correspondent Banks	39,026	36,409
Settlement Expense Provision, Eft, Swift, Agency Commissions	20,400	18,500
Other	108,273	86,486
Total	**869,368**	**640,356**

V. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity

a) The effect of changes in the fair value of financial assets at fair value through profit or loss is recognized in the "Marketable Securities Valuation Differences" account under the equity. The relevant amount is increase by TL 201,250 in 2019 (31 December 2018: TL 135,494 decrease) and change effect to deferred tax is TL 44,275 (31 December 2018: TL 29,676).

b) Increase in cash flow risk hedging items:

The Bank uses interest rate and cross currency swaps for reducing cash flow risk arising from short term deposit and borrowing. In this context, the effective portion is accounted for under equity in "Hedging Funds" account. The related amount in 2019 decreased by TL 1,463,373 (31 December 2018: TL175,504 increased) and the effect of this change to deferred tax is TL302,891 (31 December 2018: TL38,364).

c) Explanations on profit distribution:

It has been resolved in the Ordinary General Assembly dated 27 March 2019 of the Bank, TL1,001,703 that constitutes the 2018 net balance sheet profit shall be transferred to the Extraordinary Reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL50,085 as Legal Reserves, TL 0.82 (full TL) as profit distributed to the holders of the founder jouissance certificates.

Profit appropriation will be resolved in the General Assembly meeting which has not been conducted as of the date of the accompanying financial statements are authorized for issue.

VI. Explanations and Disclosures Related to Statement of Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:

TL 2,411,482 included in "Operating profit before change in assets and liabilities subject to banking" (31 December 2018: TL 6,644,599) consists of "Other" item, financial leasing expenses, severance pay provision, depreciation expenses and other operating expenses excluding taxes paid and fees and commissions.

The "net decrease in other liabilities" item in the "change in assets and liabilities subject to banking activities" amounting to TL 1,278,351 (31 December 2018: TL 1,999,209 increase) consists of various liabilities, other foreign sources, and changes in money markets. "Net increase in other assets" item amounting to TL 261,210 (31 December 2018: TL 56,907 increase) consists of changes in blocked reserve requirements, miscellaneous receivables and other assets.

"Other" item amounting to TL 98,323 (31 December 2018: TL 68,561) included in "Net cash flow from investment activities" consists of cash outflows for intangible assets received in the current period.

The effect of the change in foreign exchange rate on cash and cash equivalents includes the exchange rate difference resulting from the conversion of foreign currency cash and cash equivalents to TL at the beginning and end of the period, and as 475,011 TL for the year 2019 (31 December 2018: 1,516,339 TL) It has been realized.

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

VI. Explanations and Disclosures Related to Statement of Cash Flows (continued)

2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flow statement:

Beginning of the period	Current Period	Prior Period
Cash	**8,834,731**	**3,424,493**
Cash in TL/Foreign Currency	2,006,466	919,549
Central Bank – Unrestricted amount	6,721,963	2,427,043
Other	106,302	77,901
Cash equivalents	**4,199,335**	**2,512,627**
Banks	3,917,835	2,512,627
Money market placements	281,500	-
Total cash and cash equivalents	**13,034,066**	**5,937,120**

End of the period	Current Period	Prior Period
Cash	**6,936,877**	**8,834,731**
Cash in TL/Foreign Currency	2,441,969	2,006,466
Central Bank – Unrestricted amount	4,229,448	6,721,963
Other	265,460	106,302
Cash equivalents	**9,391,646**	**4,199,335**
Banks	8,551,646	3,917,835
Money market placements	840,000	281,500
Total cash and cash equivalents	**16,328,523**	**13,034,066**

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

VII. Explanations and Disclosures Related to Risk Group of the Bank

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

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

a) Current Period:

Related Parties	Subsidiaries, associates and entities under common Control (Joint Vent.)		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Balance at Beginning of Period	97,952	971	73,228	260,569	281,838	20,136
Balance at End of Period	277,729	716	15,616	182,856	248,301	101,145
Interest and Commission Income	17,214	40	29,774	2,541	10,850	1,140

Direct and indirect shareholders of the Bank balance above includes TL 14,020 and other entities included in the risk group balance above includes TL 60,244 placement in "Banks".

b) Prior Period:

Related Parties	Subsidiaries, associates and entities under common Control (Joint Vent.)		Direct and indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Balance at Beginning of Period	132,994	1,089	167,506	301,623	275,065	134,644
Balance at end of Period	97,952	971	73,228	260,569	281,838	20,136
Interest and Commission Income	1,114	64	17,331	1,310	6,728	450

Direct and indirect shareholders of the Bank balance above includes TL 53,708 and other entities included in the risk group balance above includes TL 279,827 placement in "Banks".

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

Related parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
Deposits	Current Period	Prior Period	Current period	Prior period	Current Period	Prior Period
Balance at Beginning of Period	57,033	42,863	1,497,789	1,524,306	1,055,942	756,839
Balance at End of Period	16,476	57,033	3,313,150	1,497,789	648,747	1,055,942
Interest on Deposits	2,103	3,790	90,121	95,774	92,318	103,901

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

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

c) Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances: (continued)

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

Related Parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Assets at Fair Value Through Profit and Loss						
Beginning of Period	34,685	-	28,512,967	35,229,756	1,210,586	655,880
End of Period	-	34,685	30,904,435	28,512,967	109,762	1,210,586
Total Profit/loss	2,376	3,578	1,403,566	(349,116)	(14,335)	(26,780)
Hedging Transactions purposes						
Beginning of Period	-	-	17,581,390	12,113,184	-	-
End of Period	-	-	19,143,820	17,581,390	-	-
Total Profit/Loss	-	-	(1,209,539)	637,693	-	-

d) As of 31 December 2019, the total amount of remuneration and benefits provided for the senior management of the Bank is TL44,125 (31 December 2018: TL 43,586).

VIII. Explanations on the Bank’s Domestic Branches, Agencies and Branches Abroad and Off-shore Branches

1. Explanations on the Bank’s domestic branches, agencies and branches abroad and off-shore branches:

	Numbers	Employees	Country	Total Assets	Capital
Domestic branches	467	8,882			
Rep-offices abroad	-	-	-		
Branches abroad	4	72	Cyprus	1,074,437	20,000
Off-shore branches	-	-	-	-	-

2. Explanations on Branch and Agency Openings or Closings of the Bank:

The Bank closed 32 branches in 2019, there are no branches opened during the year.

IX. Explanations and Disclosures Related to Subsequent Events

None.

SECTION SIX

OTHER EXPLANATIONS

I. Other Disclosures Related to the Bank's Activity

None.

SECTION SEVEN

INDEPENDENT AUDITOR’S REPORT

I. Explanations on the Independent Auditor’s Report

The unconsolidated financial statements of the Bank were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s report dated 5 February 2020 is presented preceding the financial statements.

II. Other Footnotes and Explanations Prepared by the Independent Auditors

None.