Yapı ve Kredi Bankası A.Ş.

Publicly announced unconsolidated financial statements and related disclosures at December 31, 2019 together with auditor’s audit report

(Convenience translation of publicly announced unconsolidated financial statements and independent auditor’s report originally issued in Turkish, See Note 1. of Section three)

CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH
(See Note I of Section Three)
INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Yapı ve Kredi Bankası A.Ş.:

A. Audit of the Unconsolidated Financial Statements

1. Opinion

We have audited the accompanying unconsolidated financial statements of Yapı ve Kredi Bankası A.Ş. (the "Bank"), which comprise the statement of unconsolidated balance sheet as at 31 December 2019, unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements and a summary of significant accounting policies and unconsolidated financial statement notes.

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2019, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Opinion

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements" section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the unconsolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate 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 unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the unconsolidated 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 key audit matter was addressed in the audit*
Expected credit losses for loans The Bank has total expected credit losses for loans amounting to TL 17.322.615 thousand in respect to total loans amounting to TL 241.111.244 thousand which represent a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2019. Explanations and notes related to expected credit losses for loans and receivables are presented Section Three Part 7, Section Four Part 2, Section Four Part 3.3, Section Five Part 1.7 in the accompanying unconsolidated financial statements as at 31 December 2019. The Bank recognizes provision for impairment in accordance with "TFRS 9 Financial Instruments" ("TFRS 9") requirements effective from 1 January 2018 in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. The Bank exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The Bank determines staging of credit identifying significant increase in credit risk with quantitative and qualitative assessments disclosed in Section Three Part 8 in the accompanying unconsolidated financial statements and default event disclosed in Section Four Part 2 in the accompanying unconsolidated financial statements. Information used in the expected credit loss assessment such as historical loss experiences, current conditions and macroeconomic expectations should be supportable and appropriate. Expected credit losses for loans (Continued) The Bank has developed new and complex models, that requires data to be derived from multiple systems and has not been part of the financial reporting process before for determining significant increase in credit risk and calculation of TFRS 9 expected credit losses. Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their credit risk	With respect to stage classification of loans and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Bank within the scope of our audit.We tested the design and the operating effectiveness of relevant controls implemented in accordance with these principles. We checked appropriateness of matters considered in methodology applied by the Bank for staging of loans and calculation of the provision amount. For forward looking assumptions by the Bank's management in its expected credit losses calculations, we held discussions with management, evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, exposure at default model, loss given default model, and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors). Our procedures also included the following: • Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used. • We have checked selected models used in determination of provisions for various credit portfolios with our financial risk experts by reperforming on a sample selection basis. • For a sample of exposures, we checked the accuracy of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flowsand the resultant arithmetical calculations. • We checked the calculation of the Loss Given Default (LGD) used by the Bank in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations. • For a selected sample, we checked expected

Key Audit Matters	*How the key audit matter was addressed in the audit*
(staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.	credit losses determined based on individual assessment per Bank's policy by means of supporting data, and evaluated appropriateness via communications with management. • We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. • We checked accuracy of resultant expected credit losses calculations. • To assess appropriateness of the Bank's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample. • We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Bank with respect to loans and related impairment provisions.

Key Audit Matters	*How the key audit matter was addressed in the audit*
Valuation of Pension Fund obligations The Bank has booked provision amounting to TL 1.178.063 for Pension Fund Liabilities in the accompanying unconsolidated financial statements as at 31 December 2019. Explanations on Valuation of Pension Obligations are presented in the section five part 2.6.3 in the accompanying unconsolidated financial statements. Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). The President is authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of Pension Fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. The Bank's management uses external actuaries for the purpose of valuations of Pension Fund obligations. During our audit, above mentioned fundamental assumption and estimates used in calculations of Pension Fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.	Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets. We examined whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and regulations related to valuations exist, and tested significant changes. Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.

4. Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

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

In preparing the unconsolidated 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.

5. Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

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

Our aim is 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 independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 unconsolidated financial statements.

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

- Identify and assess the risks of material misstatement in the unconsolidated 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.
- Assess the 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 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 unconsolidated 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 independent 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also 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 unconsolidated 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

1 No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.

2 In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Halûk Yalçın, SMMM
Partner

Istanbul, 4 February 2020

Convenience translation of publicly announced unconsolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three

THE UNCONSOLIDATED YEAR END FINANCIAL REPORT OF YAPI VE KREDI BANKASI A.Ş. AS OF DECEMBER 31, 2019

Address	: Yapı Kredi Plaza D-Blok Levent, 34330, İstanbul
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The unconsolidated financial report for the year end which is prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" as regulated by the Banking Regulation and Supervision Agency includes the following sections.

- **GENERAL INFORMATION ABOUT THE BANK**
- **UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK**
- **EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD**
- **INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK**
- **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS**
- **OTHER EXPLANATIONS**
- **INDEPENDENT AUDITOR'S REPORT**

The accompanying unconsolidated financial statements for the year end and notes to these financial statements which are expressed, in **thousands of Turkish Lira** (unless otherwise stated), have been presented based on the accounting books of the Bank prepared in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations of these, and have been independently audited and are presented enclosed.

Y. Ali KOÇ **Chairman of the Board of Directors**	**Gökhan ERÜN** **Executive Director and CEO**	**Massimo FRANCESE** **Chief Financial Officer**
B. Seda İKİZLER **Financial Reporting and Accounting Executive Vice President**	**Wolfgang SCHILK** **Chairman of Audit Committee**	**Dr.Ahmet ÇİMENOĞLU** **Member of Audit Committee**

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname / Title	: Cengiz TİMUROĞLU / Balance Sheet Management and Financial Analysis Manager
Telephone Number	: 0212 339 77 67
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Section one - General information

Section two - Unconsolidated financial statements

Section three - Accounting policies

Section four - Financial Position and Risk Management

Section five - Explanations and notes related to unconsolidated financial statements

Section six - Independent auditor's report

Section seven - Information on interim activity report

Section One - General Information

1. History of the Bank including its incorporation date, initial legal status and amendments to legal status, if any:

Yapı ve Kredi Bankası A.Ş. ("the Bank" or "Yapı Kredi"), was established and started operations on September 9, 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its incorporation.

2. Explanations about the Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling group of the Bank:

The Bank's publicly traded shares are traded on the Borsa İstanbul ("BIST") since 1987 and the representatives of these shares, Global Depository Receipts, are quoted at the London Stock Exchange. As of December 31, 2019, 18,10% of the shares of the Bank are publicly traded (December 31, 2018 - 18,10%). The remaining 81,90% is owned by Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit ("UCG") and Koç Group.

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organization and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

In 2005, the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. As a result of the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS shares in the Bank increased to 81,80%. As of June 29, 2018, due to capital increase by TL 4,1 billion, KFS shares increased to 81,90%.

According to the stament of Koç Holding A.Ş. on the Public Disclosure Platform dated November 30,2019, Koç Group and UCG have reached a deal to exchange their shares in the Bank and KFS.

Accordingly all the shares of KFS, which is currently a joint venture, will be transferred to Koç Group. Besides, after the shares are transferred, KFS will hold 40.95%, UCG will hold 31,93% directly and Koç Group will hold a total of 49.99% directly and indirectly of the Bank shares.

It is expected that the sale transactions will be completed after obtaining necessary permission from legal authorities.

3. Explanations regarding the board of directors, members of the audit committee, Chief Executive Officer and executive vice presidents, and their areas of responsibility and shares if any:

As of December 31, 2019, the Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows.

Board of Directors Members:

Name	Responsibility
Y. Ali KOÇ	Chairman
Niccolò UBERTALLI	Vice Chairman
Gökhan ERÜN	Executive Director and CEO
Marco IANNACCONE	Executive Director and COO
A. Ümit TAFTALI	Member
Ahmet ÇİMENOĞLU	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
Carlo VIVALDI	Member
Gianfranco BISAGNI	Member
Giovanna VILLA	Independent Member
Levent ÇAKIROĞLU	Member
Mirko D. G. BIANCHI	Member
Virma SÖKMEN	Independent Member
Wolfgang SCHILK	Independent Member

Audit Committee Members:

Name	Responsibility
Wolfgang SCHILK	Chairman
Ahmet ÇİMENOĞLU	Member
Giovanna VILLA	Member

General Manager:

Name	Responsibility
Gökhan ERÜN	Executive Director and CEO

Chief Operating Officer:

Name	Responsibility
Marco IANNACCONE	Executive Director and COO

Assistant General Managers:

Name	Responsibility
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Albert ANGERSBACH	Risk Management
Arif Özer İSFENDİYAROĞLU	Retail Banking Sales Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Retail Credits Management
Erhan ADALI	Corporate and Commercial Banking Management
Giovanni Battista AVANZI	Internal Audit / Chief Audit Executive
Hakan ALP	Human Resources and Organization Management
Massimo FRANCESE	Financial Planning and Administration Management
Mehmet Erkan ÖZDEMİR	Compliance and Internal Control / Consumer Relations Coordination Officer
Nurgün EYÜBOĞLU	Corporate and Commercial Credit Management
Saruhan YÜCEL	Treasury Management
Serkan ÜLGEN	Retail Banking Management
Yakup DOĞAN	Alternative Distribution Channels

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

4. Information on the individual and corporate shareholders having control shares of the Bank:

Name/Commercial title	Share amounts (nominal)	Share percentage	Paid-in capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	6.918.131.285,23	81,90	6.918.131.285,23	-

Koç Finansal Hizmetler A.Ş. is a joint venture of Koç Group, UniCredit Group and Temel Ticaret ve Yatırım A.Ş.

5. Summary information on the Bank's activities and service types:

The Bank's activities summarized from the section 3 of the articles of association are as follows.

The Bank's purpose and subject matter, in accordance with the Banking Law, regulations and existing laws, include;

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly. With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of December 31, 2019, the Bank has 845 branches operating in Turkey and 1 branch in overseas (December 31, 2018 - 853 branches operating in Turkey, 1 branch in overseas).

As of December 31, 2019, the Bank has 16.631 employees (December 31, 2018 – 17.577 employees).

6. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:

According to Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., Yapı Kredi Teknoloji A.Ş. and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué on Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

7. The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:

None.

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

Section two - Unconsolidated financial statements

1. Balance sheet (Statement of Financial Position)

					Current Period (31/12/2019)			Prior Period (31/12/2018)
	ASSET	**Note (Section Five)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (Net)**		**43.032.619**	**63.444.432**	**106.477.051**	**47.647.266**	**45.458.060**	**93.105.326**
1.1	**Cash and Cash Equivalents**	**1.1**	**16.458.254**	**58.011.660**	**74.469.914**	**16.857.541**	**40.385.735**	**57.243.276**
1.1.1	Cash and Balances with Central Bank		2.488.489	38.861.487	41.349.976	16.756.292	38.758.602	55.514.894
1.1.2	Banks	1.4	3.296.463	19.242.802	22.539.265	19.297	1.658.987	1.678.284
1.1.3	Money Markets	1.4.3	10.703.351	-	10.703.351	104.913	12.056	116.969
1.1.4	Provisions for Expected Losses (-)		30.049	92.629	122.678	22.961	43.910	66.871
1.2	**Financial assets where fair value change is reflected to income statement**	**1.2**	**224.804**	**342.600**	**567.404**	**20.253**	**221.178**	**241.431**
1.2.1	Government debt securities		20.754	73.116	93.870	17.686	50.656	68.342
1.2.2	Share certificates		199.053	269.484	468.537	-	170.522	170.522
1.2.3	Other financial assets		4.997	-	4.997	2.567	-	2.567
1.3	**Financial assets where fair value change is reflected to other comprehensive income statement**	**1.5,1.6**	**22.721.128**	**3.970.178**	**26.691.306**	**22.798.520**	**3.861.979**	**26.660.499**
1.3.1	Government debt securities		22.710.089	1.923.370	24.633.459	22.790.241	2.028.211	24.818.452
1.3.2	Share certificates		11.039	2.580	13.619	8.279	2.338	10.617
1.3.3	Other financial assets		-	2.044.228	2.044.228	-	1.831.430	1.831.430
1.4	**Derivative Financial Assets**	**1.3**	**3.628.433**	**1.119.994**	**4.748.427**	**7.970.952**	**989.168**	**8.960.120**
1.4.1	Derivative financial assets where fair value change is reflected to income statement		3.373.746	1.077.555	4.451.301	5.101.599	689.435	5.791.034
1.4.2	Derivative financial assets where fair value change is reflected to other comprehensive income statement		254.687	42.439	297.126	2.869.353	299.733	3.169.086
II.	**FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)**		**155.567.644**	**96.489.507**	**252.057.151**	**135.439.728**	**97.535.290**	**232.975.018**
2.1	**Loans**	**1.7**	**150.539.562**	**89.924.281**	**240.463.843**	**132.642.405**	**92.293.060**	**224.935.465**
2.2	**Receivables From Leasing Transactions (Net)**	**1.12**	**-**	**-**	**-**	**-**	**-**	**-**
2.3	**Factoring Receivables**		**647.401**	**-**	**647.401**	**95.337**	**-**	**95.337**
2.4	**Financial Assets Measured at Amortised Cost**	**1.8**	**17.970.624**	**10.335.035**	**28.305.659**	**12.933.751**	**8.741.415**	**21.675.166**
2.4.1	Government debt securities		17.639.820	10.335.035	27.974.855	12.933.751	8.741.415	21.675.166
2.4.2	Other financial assets		330.804	-	330.804	-	-	-
2.5	**Provisions for Expected Losses (-)**		**13.589.943**	**3.769.809**	**17.359.752**	**10.231.765**	**3.499.185**	**13.730.950**
III.	**ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	**1.17**	**320.059**	**-**	**320.059**	**288.349**	**-**	**288.349**
3.1	Held for Sale Purposes		320.059	-	320.059	288.349	-	288.349
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**		**3.595.273**	**4.231.653**	**7.826.926**	**3.144.898**	**3.645.062**	**6.789.960**
4.1	**Investments in Associates (net)**	**1.9**	**6.101**	**902.257**	**908.358**	**6.101**	**784.140**	**790.241**
4.1.1	Consolidated based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated		6.101	902.257	908.358	6.101	784.140	790.241
4.2	**Subsidiaries (Net)**	**1.10**	**3.566.857**	**3.329.396**	**6.896.253**	**3.117.632**	**2.860.922**	**5.978.554**
4.2.1	Unconsolidated Financial Subsidiaries		3.559.557	3.329.396	6.888.953	3.110.332	2.860.922	5.971.254
4.2.2	Unconsolidated Non-Financial Subsidiaries		7.300	-	7.300	7.300	-	7.300
4.3	**Joint Ventures (Net)**	**1.11**	**22.315**	**-**	**22.315**	**21.165**	**-**	**21.165**
4.3.1	Consolidated based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated		22.315	-	22.315	21.165	-	21.165
V.	**PROPERTY AND EQUIPMENT (Net)**		**4.281.326**	**-**	**4.281.326**	**3.270.211**	**-**	**3.270.211**
VI.	**INTANGIBLE ASSETS [Net]**		**1.845.101**	**-**	**1.845.101**	**1.749.439**	**-**	**1.749.439**
6.1	Goodwill		979.493	-	979.493	979.493	-	979.493
6.2	Other		865.608	-	865.608	769.946	-	769.946
VII.	**INVESTMENT PROPERTY (Net)**	**1.15**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSETS**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**DEFERRED TAX ASSETS**	**1.16**	**1.980.629**	**-**	**1.980.629**	**569.635**	**-**	**569.635**
X.	**OTHER ASSETS**	**1.18**	**2.723.577**	**9.984.007**	**12.707.584**	**2.905.219**	**6.390.434**	**9.295.653**
	TOTAL ASSETS		**213.346.228**	**174.149.599**	**387.495.827**	**195.014.745**	**153.028.846**	**348.043.591**

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

1. Balance sheet (Statement of Financial Position)

					Current Period (31/12/2019)			Prior Period (31/12/2018)
	LIABILITIES	**Note (Section Five)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**2.1**	**103.168.839**	**119.621.279**	**222.790.118**	**92.782.018**	**109.767.118**	**202.549.136**
II.	**BORROWINGS**	**2.3.1**	**475.135**	**37.635.407**	**38.110.542**	**271.691**	**37.077.647**	**37.349.338**
III.	**MONEY MARKETS**		**2.936.526**	**759.218**	**3.695.744**	**330.175**	**1.215.446**	**1.545.621**
IV.	**MARKETABLE SECURITIES ISSUED (Net)**	**2.3.4**	**5.912.191**	**14.791.500**	**20.703.691**	**2.678.882**	**13.706.130**	**16.385.012**
4.1	Bills		4.270.096	-	4.270.096	1.373.498	-	1.373.498
4.2	Asset backed Securities		-	-	-	-	-	-
4.3	Bonds		1.642.095	14.791.500	16.433.595	1.305.384	13.706.130	15.011.514
V.	**FUNDS**		**-**	**-**	**-**	**-**	**-**	**-**
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES FAIR VALUE THROUGH PROFIT AND LOSS**	**2.3.3**	**830.929**	**12.353.676**	**13.184.605**	**330.910**	**7.634.494**	**7.965.404**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**2.2**	**5.542.718**	**1.533.715**	**7.076.433**	**6.388.957**	**892.348**	**7.281.305**
7.1	Derivative Liabilities at Fair Value Through Profit and Loss		2.963.527	1.221.739	4.185.266	5.846.062	823.837	6.669.899
7.2	Derivative Liabilities at Fair Value Through Other Comprehensive Profit		2.579.191	311.976	2.891.167	542.895	68.511	611.406
VIII.	**FACTORING PAYABLES**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**LEASE PAYABLES (Net)**	**2.5**	**890.604**	**8.501**	**899.105**	**-**	**219**	**219**
X.	**PROVISIONS**	**2.6**	**3.357.745**	**262.436**	**3.620.181**	**3.000.839**	**306.818**	**3.307.657**
10.1	Provisions for Restructuring		-	-	-	-	-	-
10.2	Provisions for Employee Rights	2.6.1	753.110	-	753.110	658.112	-	658.112
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions	2.6.3	2.604.635	262.436	2.867.071	2.342.727	306.818	2.649.545
XI.	**CURRENT TAX LIABILITIES**	**2.7**	**838.765**	**-**	**838.765**	**1.091.311**	**-**	**1.091.311**
XII.	**DEFERRED TAX LIABILITIES**		**-**	**-**	**-**	**-**	**-**	**-**
XIII.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	**2.8**	**-**	**-**	**-**	**-**	**-**	**-**
13.1	Held for Sale		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT**	**2.9**	**821.340**	**17.758.699**	**18.580.039**	**-**	**13.557.153**	**13.557.153**
14.1	Loans		-	5.102.941	5.102.941	-	5.574.724	5.574.724
14.2	Other Facilities		821.340	12.655.758	13.477.098	-	7.982.429	7.982.429
XV.	**OTHER LIABILITIES**	**2.4**	**15.269.130**	**1.539.820**	**16.808.950**	**14.829.942**	**3.177.994**	**18.007.936**
XVI.	**SHAREHOLDERS' EQUITY**	**2.10**	**38.553.457**	**2.634.197**	**41.187.654**	**36.539.132**	**2.464.367**	**39.003.499**
16.1	Paid in Capital		8.447.051	-	8.447.051	8.447.051	-	8.447.051
16.2	Capital Reserves		1.998.636	-	1.998.636	1.995.493	-	1.995.493
16.2.1	Share premium		556.937	-	556.937	556.937	-	556.937
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		1.441.699	-	1.441.699	1.438.556	-	1.438.556
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		2.343.632	436.694	2.780.326	2.369.395	435.591	2.804.986
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		(2.472.669)	2.197.503	(275.166)	(909.935)	2.028.776	1.118.841
16.5	Profit Reserves		24.636.747	-	24.636.747	19.969.702	-	19.969.702
16.5.1	Legal Reserves		1.102.781	-	1.102.781	869.410	-	869.410
16.5.2	Statutory reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		23.533.272	-	23.533.272	19.099.217	-	19.099.217
16.5.4	Other Profit Reserves		694	-	694	1.075	-	1.075
16.6	Profit or loss		3.600.060	-	3.600.060	4.667.426	-	4.667.426
16.6.1	Prior years' profits or losses		-	-	-	-	-	-
16.6.2	Current period net profit or loss		3.600.060	-	3.600.060	4.667.426	-	4.667.426
	TOTAL LIABILITIES		**178.597.379**	**208.898.448**	**387.495.827**	**158.243.857**	**189.799.734**	**348.043.591**

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

2. Off-balance sheet commitments

					Current Period (31/12/2019)			Prior Period (31/12/2018)
		Note (Section Five)	TL	FC	Total	TL	FC	Total
A.	**Off-balance sheet commitments (I+II+III)**		**242.425.428**	**389.469.757**	**631.895.185**	**216.249.011**	**356.444.036**	**572.693.047**
I.	**Guarantees and warranties**	**3.1.2.1,2**	**27.023.766**	**63.090.951**	**90.114.717**	**26.421.786**	**59.852.965**	**86.274.751**
1.1	Letters of guarantee	3.1.2.2	26.894.174	42.807.332	69.701.506	26.251.027	41.182.795	67.433.822
1.1.1	Guarantees subject to state tender law		367.229	604.813	972.042	562.791	1.240.942	1.803.733
1.1.2	Guarantees given for foreign trade operations		4.095.773	42.202.519	46.298.292	3.909.134	39.941.853	43.850.987
1.1.3	Other letters of guarantee		22.431.172	-	22.431.172	21.779.102	-	21.779.102
1.2	Bank acceptances		-	156.431	156.431	-	200.915	200.915
1.2.1	Import letter of acceptance		-	156.431	156.431	-	200.915	200.915
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit		77.354	12.266.506	12.343.860	152.733	10.564.051	10.716.784
1.3.1	Documentary letters of credit		77.354	12.266.506	12.343.860	152.733	10.564.051	10.716.784
1.3.2	Other letters of credit		-	-	-	-	-	-
1.4	Prefinancing given as guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Purchase guarantees for Securities issued		-	-	-	-	-	-
1.7	Factoring guarantees		-	-	-	-	-	-
1.8	Other guarantees		52.238	3.781.228	3.833.466	18.026	3.997.024	4.015.050
1.9	Other warranties		-	4.079.454	4.079.454	-	3.908.180	3.908.180
II.	**Commitments**	**3.1.1**	**70.587.105**	**24.339.036**	**94.926.141**	**57.594.918**	**27.384.129**	**84.979.047**
2.1	Irrevocable commitments		65.878.662	7.437.359	73.316.021	56.759.355	9.049.492	65.808.847
2.1.1	Asset purchase and sale commitments		1.494.732	6.254.891	7.749.623	1.969.620	6.371.281	8.340.901
2.1.2	Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3	Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4	Loan granting commitments		12.708.914	960.251	13.669.165	10.167.781	2.192.840	12.360.621
2.1.5	Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve requirements		-	-	-	-	-	-
2.1.7	Commitments for checks payments		3.389.714	-	3.389.714	2.990.824	-	2.990.824
2.1.8	Tax and fund liabilities from export commitments		4.074	-	4.074	4.551	-	4.551
2.1.9	Commitments for credit card expenditure limits		41.380.895	-	41.380.895	35.189.895	-	35.189.895
2.1.10	Commitments for credit cards and banking services promotions		30.190	-	30.190	27.510	-	27.510
2.1.11	Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12	Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		6.870.143	222.217	7.092.360	6.409.174	485.371	6.894.545
2.2	Revocable commitments		4.708.443	16.901.677	21.610.120	835.563	18.334.637	19.170.200
2.2.1	Revocable loan granting commitments		4.708.443	16.901.677	21.610.120	835.563	18.334.637	19.170.200
2.2.2	Other revocable commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**144.814.557**	**302.039.770**	**446.854.327**	**132.232.307**	**269.206.942**	**401.439.249**
3.1	Derivative financial instruments held for hedging		49.887.738	53.105.895	102.993.633	48.402.801	48.037.678	96.440.479
3.1.1	Fair value hedges		470.141	2.941.839	3.411.980	270.141	3.175.835	3.445.976
3.1.2	Cash flow hedges		49.417.597	50.164.056	99.581.653	48.132.660	44.861.843	92.994.503
3.1.3	Hedges for investments made in foreign countries		-	-	-	-	-	-
3.2	Trading transactions		94.926.819	248.933.875	343.860.694	83.829.506	221.169.264	304.998.770
3.2.1	Forward foreign currency purchase and sale transactions		8.036.269	17.700.404	25.736.673	8.116.786	10.730.591	18.847.377
3.2.1.1	Forward foreign currency purchase transactions		3.307.157	9.627.478	12.934.635	3.821.115	5.862.521	9.683.636
3.2.1.2	Forward foreign currency sale transactions		4.729.112	8.072.926	12.802.038	4.295.671	4.868.070	9.163.741
3.2.2	Currency and interest rate swaps		81.329.613	196.767.306	278.096.919	69.858.272	174.331.835	244.190.107
3.2.2.1	Currency swap purchase transactions		10.892.454	70.454.795	81.347.249	15.558.017	63.616.649	79.174.666
3.2.2.2	Currency swap sale transactions		38.687.159	42.840.355	81.527.514	47.018.255	34.011.042	81.029.297
3.2.2.3	Interest rate swap purchase transactions		15.875.000	41.736.078	57.611.078	3.641.000	38.352.072	41.993.072
3.2.2.4	Interest rate swap sale transactions		15.875.000	41.736.078	57.611.078	3.641.000	38.352.072	41.993.072
3.2.3	Currency, interest rate and securities options		3.741.319	8.349.687	12.091.006	5.034.420	12.244.720	17.279.140
3.2.3.1	Currency purchase options		2.043.723	2.136.917	4.180.640	1.735.423	5.022.695	6.758.118
3.2.3.2	Currency sale options		1.497.596	2.736.368	4.233.964	2.998.997	3.709.657	6.708.654
3.2.3.3	Interest rate purchase options		100.000	2.584.853	2.684.853	150.000	2.325.046	2.475.046
3.2.3.4	Interest rate sale options		100.000	891.549	991.549	150.000	1.187.322	1.337.322
3.2.3.5	Securities purchase options		-	-	-	-	-	-
3.2.3.6	Securities sale options		-	-	-	-	-	-
3.2.4	Currency futures		199.618	198.789	398.407	-	-	-
3.2.4.1	Currency purchase futures		199.618	-	199.618	-	-	-
3.2.4.2	Currency sale futures		-	198.789	198.789	-	-	-
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate purchase futures		-	-	-	-	-	-
3.2.5.2	Interest rate sale futures		-	-	-	-	-	-
3.2.6	Other		1.620.000	25.917.689	27.537.689	820.028	23.862.118	24.682.146
B.	**CUSTODY AND PLEDGED SECURITIES (IV+V+VI)**		**840.404.220**	**760.841.997**	**1.601.246.217**	**675.153.154**	**592.465.160**	**1.267.618.314**
IV.	**ITEMS HELD IN CUSTODY**		**418.440.566**	**660.136.326**	**1.078.576.892**	**357.170.276**	**530.118.288**	**887.288.564**
4.1	Assets under management		-	-	-	-	-	-
4.2	Securities held in custody		394.447.528	659.469.963	1.053.917.491	333.178.706	529.517.839	862.696.545
4.3	Checks received for collection		17.168.474	59.047	17.227.521	18.324.311	55.419	18.379.730
4.4	Commercial notes received for collection		6.766.420	518.018	7.284.438	5.609.115	464.462	6.073.577
4.5	Other assets received for collection		-	71.180	71.180	-	64.289	64.289
4.6	Securities received for public offering		-	-	-	-	-	-
4.7	Other items under custody		58.144	18.118	76.262	58.144	16.279	74.423
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**395.405.815**	**89.063.878**	**484.469.693**	**298.328.314**	**52.469.929**	**350.798.243**
5.1	Marketable securities		831.183	659	831.842	249.891	583	250.474
5.2	Guarantee notes		720.000	278.319	998.319	1.144.853	316.775	1.461.628
5.3	Commodity		6.946	-	6.946	17.430	-	17.430
5.4	Warrant		-	-	-	-	-	-
5.5	Immovables		140.794.432	36.287.424	177.081.856	120.540.545	29.503.112	150.043.657
5.6	Other pledged items		253.053.254	52.486.841	305.540.095	176.375.595	22.640.019	199.015.614
5.7	Depositories receiving pledged items		-	10.635	10.635	-	9.440	9.440
VI.	**ACCEPTED GUARANTEES AND WARRANTEES**		**26.557.839**	**11.641.793**	**38.199.632**	**19.654.564**	**9.876.943**	**29.531.507**
	TOTAL OFF BALANCE SHEET COMMITMENTS)		**1.082.829.648**	**1.150.311.754**	**2.233.141.402**	**891.402.165**	**948.909.196**	**1.840.311.361**

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

3. Statements of Profit or Loss

	Income and expense items	Note (Section Five)	Current Period (01/01/2019 – 31/12/2019)	Prior Period (01/01/2018 – 31/12/2018)
I.	**INTEREST INCOME**	**4.1**	**35.703.082**	**33.210.795**
1.1	Interest on Loans	4.1.1	28.489.781	24.968.309
1.2	Interest received from reserve deposits		375.844	415.131
1.3	Interest Received from Banks	4.1.2	900.441	621.717
1.4	Interest Received from Money Market Transactions		515.907	58.124
1.5	Interest Received from Marketable Securities Portfolio	4.1.3	5.395.946	7.141.461
1.5.1	Financial Assets at Fair Value Through Profit and Loss		12.299	11.186
1.5.2	Financial Assets at Fair Value Through Other Comprehensive income		3.108.869	4.518.770
1.5.3	Financial assets measured at amortised cost		2.274.778	2.611.505
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		25.163	6.053
II.	**INTEREST EXPENSE (-)**	**4.2**	**20.927.360**	**19.268.780**
2.1	Interest on Deposits	4.2.4	15.382.785	14.331.082
2.2	Interest on Funds Borrowed	4.2.1	3.362.934	2.297.613
2.3	Interest expense on money market transactions		187.992	1.036.889
2.4	Interest on Securities Issued	4.2.3	1.782.290	1.390.038
2.5	Interest on Lease Payables		162.347	27
2.6	Other Interest Expense		49.012	213.131
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**14.775.722**	**13.942.015**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENCE**		**5.286.993**	**4.016.348**
4.1	Fees and Commissions Received		7.077.075	5.363.545
4.1.1	Non-cash Loans		1.059.638	786.258
4.1.2	Other		6.017.437	4.577.287
4.2	Fees and Commissions Paid		1.790.082	1.347.197
4.2.1	Non-cash Loans		340	253
4.2.2	Other		1.789.742	1.346.944
V	**DIVIDEND INCOME**		**9.310**	**6.326**
VI.	**TRADING PROFIT/LOSS (Net)**	**4.4**	**(1.884.879)**	**(647.623)**
6.1	Trading Gains/Losses on Securities		271.662	125.761
6.2	Derivative Financial Transactions Gains/Losses	4.6	(905.387)	11.487.050
6.3	Foreign Exchange Gains/Losses		(1.251.154)	(12.260.434)
VII.	**OTHER OPERATING INCOME**	**4.7**	**1.428.469**	**1.211.427**
VIII.	**GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)**		**19.615.615**	**18.528.493**
IX.	**PROVISION FOR EXPECTED LOSSES (-)**	**4.5**	**8.772.277**	**6.983.607**
X.	**OTHER PROVISION EXPENSES (-)**	**4.5**	**40.975**	**138.096**
XI.	**PERSONNEL EXPENSES (-)**	**4.9**	**3.149.323**	**2.836.470**
XII.	**OTHER OPERATING EXPENSES (-)**	**4.8**	**4.095.034**	**3.490.333**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**3.558.006**	**5.079.987**
XIV.	**SURPLUS WRITTEN AS GAIN AFTER MERGER**		**-**	**-**
XV.	**PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES**		**780.930**	**775.504**
XVI.	**NET MONETARY POSITION GAIN/LOSS)**		**-**	**-**
XVII.	**PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+XIV+XV+XVI)**	**4.9**	**4.338.936**	**5.855.491**
XVIII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**	**4.10**	**738.876**	**1.188.065**
18.1	Current Tax Provision		1.623.617	791.064
18.2	Expense effect of deferred tax (+)		-	397.001
18.3	Income effect of deferred tax (-)		(884.741)	-
XIX.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)**		**3.600.060**	**4.667.426**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
20.1	Income from assets held for sale		-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other income from discontinued operations		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
21.1	Expenses on assets held for sale		-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3	Other expenses from discontinued operations		-	-
XXII.	**PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX - XXI)**		**-**	**-**
XXIII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		**-**	**-**
23.1	Current tax provision		-	-
23.2	Expense effect of deferred tax (+)		-	-
23.3	Income effect of deferred tax (-)		-	-
XXIV.	**NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)**		**-**	**-**
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**	**4.11**	**3.600.060**	**4.667.426**
	Earnings/(loss) per share (full TL)		0,0043	0,0073

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

4. Statement of Profit or Loss and Other Comprehensive Income

		Current Period (31/12/2019)	Prior Period (31/12/2018)
I.	**PROFIT /(LOSS)**	**3.600.060**	**4.667.426**
II.	**OTHER COMPREHENSIVE INCOME**	**(1.418.667)**	**287.641**
2.1	**Other comprehensive income that will not be reclassified to profit or loss**	**(24.660)**	**447.670**
2.1.1	Gains (losses) on Revaluation of Property, Plant and Equipment	14.291	545.509
2.1.2	Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3	Gains (losses) on remeasurements of defined benefit plans	(66.003)	(51.323)
2.1.4	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	13.925	2.199
2.1.5	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	13.127	(48.715)
2.2	**Other Comprehensive Income That Will Be Reclassified to Profit or Loss**	**(1.394.007)**	**(160.029)**
2.2.1	Exchange Differences on Translation	425.259	892.573
2.2.2	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	2.052.651	(1.893.220)
2.2.3	Income (loss) Related with Cash Flow Hedges	(4.110.380)	1.162.325
2.2.4	Income (loss) Related with Hedges of Net Investments in Foreign Operations	(274.663)	(618.595)
2.2.5	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	513.126	296.888
III.	**TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)**	**2.181.393**	**4.955.067**

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

5. Statement of changes in shareholders’ equity

Current Period (31/12/2019)					**Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss**			**Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss**						
CHANGES IN SHAREHOLDER’S EQUITY	**Paid-in capital**	**Share premium**	**Share certificate cancellation profits**	**Other capital reserves**	1	2	3	4	5	6	**Profit reserves**	**Prior period net income/(loss)**	**Current period net income/(loss)**	**Total shareholders’ equity**
I. Balance at the beginning of the period	**8.447.051**	**556.937**	**-**	**1.438.556**	**1.845.522**	**(218.070)**	**1.177.534**	**2.067.517**	**(1.748.010)**	**799.334**	**19.969.702**	**-**	**4.667.426**	**39.003.499**
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	**8.447.051**	**556.937**	**-**	**1.438.556**	**1.845.522**	**(218.070)**	**1.177.534**	**2.067.517**	**(1.748.010)**	**799.334**	**19.969.702**	**-**	**4.667.426**	**39.003.499**
IV. Total comprehensive income (loss)	-	-	-	-	**12.897**	**(51.482)**	**13.925**	**425.259**	**1.601.068**	**(3.420.334)**	-	-	**3.600.060**	**2.181.393**
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	**3.143**	-	-	-	-	-	-	**(381)**	-	-	**2.762**
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	**4.667.426**	-	**(4.667.426)**	-
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	4.667.426	-	(4.667.426)	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+…...+X+XI)	**8.447.051**	**556.937**	**-**	**1.441.699**	**1.858.419**	**(269.552)**	**1.191.459**	**2.492.776**	**(146.942)**	**(2.621.000)**	**24.636.747**	**-**	**3.600.060**	**41.187.654**

1. Tangible assets revaluation reserve,
2. Accumulated gains / losses on remeasurements of defined benefit plans
3. Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss
4. Exchange differences on translation reserve for associates and joint ventures accounted for using equity method
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income
6. Accumulated gains or (losses) on cash flow hedges and net investment hedges.

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

5. Statement of changes in shareholders’ equity

Prior Period (31/12/2018)					Other Accumulated Comprehensive Income			Other Accumulated Comprehensive Income						
					That Will Not Be Reclassified In Profit and Loss			That Will Be Reclassified In Profit and Loss						
CHANGES IN SHAREHOLDER’S EQUITY	**Paid-in capital**	**Share premium**	**Share certificate cancellation profits**	**Other capital reserves**	**1**	**2**	**3**	**4**	**5**	**6**	**Profit reserves**	**Prior period net income/(loss)**	**Current period net income/(loss)**	**Total shareholders’ equity**
I. Balance at the beginning of the period	**4.347.051**	**543.881**	**-**	**1.340.087**	**1.360.019**	**(178.038)**	**1.356.685**	**1.174.944**	**(381.624)**	**375.225**	**16.545.616**	**-**	**3.614.081**	**30.097.927**
II. Adjustment in accordance with TAS 8	**-**	**-**	**-**	**-**	**-**	**-**	**(181.350)**	**-**	**110.325**	**-**	**(62.054)**	**-**	**-**	**(133.079)**
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	(181.350)	-	110.325	-	(62.054)	-	-	(133.079)
III. New balance (I+II)	**4.347.051**	**543.881**	**-**	**1.340.087**	**1.360.019**	**(178.038)**	**1.175.335**	**1.174.944**	**(271.299)**	**375.225**	**16.483.562**	**-**	**3.614.081**	**29.964.848**
IV. Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**485.503**	**(40.032)**	**2.199**	**892.573**	**(1.476.711)**	**424.109**	**-**	**-**	**4.667.426**	**4.955.067**
V. Capital increase in cash	**4.100.000**	**13.056**	**-**	**(29.472)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.083.584**
VI. Capital increase through internal reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII. Issued capital inflation adjustment difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII. Convertible bonds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX. Subordinated debt	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X. Increase (decrease) through other changes, equity	**-**	**-**	**-**	**108**	**-**	**-**	**-**	**-**	**-**	**-**	**(108)**	**-**	**-**	**-**
XI. Profit distribution	**-**	**-**	**-**	**127.833**	**-**	**-**	**-**	**-**	**-**	**-**	**3.486.248**	**-**	**(3.614.081)**	**-**
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to legal reserves	-	-	-	127.833	-	-	-	-	-	-	3.486.248	-	(3.614.081)	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+…...+X+XI)	**8.447.051**	**556.937**	**-**	**1.438.556**	**1.845.522**	**(218.070)**	**1.177.534**	**2.067.517**	**(1.748.010)**	**799.334**	**19.969.702**	**-**	**4.667.426**	**39.003.499**

1. Tangible assets revaluation reserve,
2. Accumulated gains / losses on remeasurements of defined benefit plans
3. Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss
4. Exchange differences on translation reserve for associates and joint ventures accounted for using equity method
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income
6. Accumulated gains or (losses) on cash flow hedges and net investment hedges.

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

6. Statement of cash flows

		(Notes section five)	Current Period (31/12/2019)	Prior Period (31/12/2018)
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**		**14.278.156**	**8.208.781**
1.1.1	Interest received		33.704.929	24.373.099
1.1.2	Interest paid		(20.658.897)	(18.604.908)
1.1.3	Dividend received		192.456	66.529
1.1.4	Fees and commissions received		7.077.075	5.363.545
1.1.5	Other income		635.729	1.947.729
1.1.6	Collections from previously written-off loans and other receivables		1.762.544	1.262.402
1.1.7	Cash Payments to personnel and service suppliers		(6.502.519)	(5.715.491)
1.1.8	Taxes paid		(2.195.229)	(541.686)
1.1.9	Other	6.3	262.068	57.562
1.2	**Changes in operating assets and liabilities subject to banking operations**		**4.219.397**	**(3.937.953)**
1.2.1	Net (increase) decrease in Financial Assets at Fair Value through Profit or Loss		(325.426)	(184.397)
1.2.2	Net (increase) decrease in due from banks		(4.153.527)	(5.034.266)
1.2.3	Net (increase) decrease in loans		(22.697.738)	(23.918.591)
1.2.4	Net (increase) decrease in other assets		(4.558.102)	(5.464.081)
1.2.5	Net increase (decrease) in bank deposits		(4.544.683)	1.446.944
1.2.6	Net increase (decrease) in other deposits		25.302.527	31.169.851
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss		5.441.860	3.712.657
1.2.8	Net increase (decrease) in funds borrowed		5.675.742	(5.685.289)
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities	6.3	4.078.744	19.219
I.	**Net cash provided from banking operations**		**18.497.553**	**4.270.828**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from investing activities**		**(5.858.140)**	**(2.135.849)**
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures		-	-
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures		-	-
2.3	Cash paid for the purchase of tangible and intangible asset		(533.233)	(528.635)
2.4	Cash obtained from the sale of tangible and intangible asset		192.082	74.720
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income		(13.203.974)	(13.035.896)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income		12.346.110	13.749.307
2.7	Cash paid for the purchase of financial assets at amortised cost		(4.807.224)	(3.674.945)
2.8	Cash obtained from sale of financial assets at amortised cost		148.099	1.279.600
2.9	Other		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash flows from financing activities**		**613.493**	**4.570.264**
3.1	Cash obtained from funds borrowed and securities issued		33.210.986	11.918.467
3.2	Cash outflow from funds borrowed and securities issued		(32.198.476)	(11.099.590)
3.3	Equity instruments issued		-	4.083.584
3.4	Dividends paid		-	-
3.5	Payments for finance lease liabilities		(399.017)	(332.197)
3.6	Other		-	-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**	**6.3**	**4.200.943**	**14.526.803**
V.	**Net increase/decrease in cash and cash equivalents**		**17.453.849**	**21.232.046**
VI.	**Cash and cash equivalents at beginning of the period**	**6.1**	**42.821.747**	**21.589.701**
VII.	**Cash and cash equivalents at end of the period**	**6.1**	**60.275.596**	**42.821.747**

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

7. Profit Distribution[(1)]

		Current Period (31/12/2019)	Prior Period (31/12/2018)
I.	**Distribution of current year income**		
1.1	Current year income	4.338.936	5.855.491
1.2	Taxes and duties payable (-)	738.876	1.188.065
1.2.1	Corporate tax (income tax)	1.623.617	791.064
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	(884.741)	397.001
A.	**Net income for the year (1.1-1.2)**	**3.600.060**	**4.667.426**
1.3	Prior year losses (-)	-	-
1.4	First legal reserves (-)	-	233.371
1.5	Other statutory reserves (-)	884.741	-
B.	**Net income available for distribution [(a-(1.3+1.4+1.5)]**	**2.715.319**	**4.434.055**
1.6	First dividend to shareholders (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of preferred shares	-	-
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 privileged shares	-	-
1.9.3	To owners of preferred shares	-	-
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	-	4.434.055
1.13	Other reserves	-	-
1.14	Special funds	-	-
II.	**Distribution of reserves**	-	-
2.1	Appropriated 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 privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
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	**0,0043**	**0,0073**
3.2	To owners of ordinary shares (%)	0,0043	0,0073
3.3	To owners of privileged shares	-	-
3.4	To owners of privileged shares (%)	-	-
IV.	**Dividend per share**	-	-
4.1	To owners of ordinary shares	-	-
4.2	To owners of ordinary shares (%)	-	-
4.3	To owners of privileged shares	-	-
4.4	To owners of privileged shares (%)	-	-

(1) Regarding profit distribution, the authorized body of the Bank is the General Assembly and the annual general assembly meeting has not been held as of the date of preparation of these financial statements. Since the dividend distribution proposal for 2019 has not yet been prepared by the Board of Directors, only the distributable profit is stated in the profit distribution table.

Section Three

Accounting policies

1. Explanations on basis of presentation:

The Bank keeps its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code ("TCC"), and Turkish Tax Legislation.

The unconsolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The accompanying unconsolidated financial statements and notes to these financial statements are expressed in thousands of Turkish Lira (TL), unless otherwise stated.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial assets/liabilities buildings and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortized cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The preparation of unconsolidated financial statements in conformity with TFRS requires the use of certain accounting estimates by the Bank management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The accounting policies and valuation principles employed for the preparation the financial statements are in compliance with "Accounting and Reporting Legislation" published in the regulation, communique, interpretations and circular of BRSA. If there is no specific regulation of BRSA, it has been determined and applied in the context of TFRS.

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 February 1, 2019 with No. 30673, the accompanying previous period financial statements were made compatible with the new financial statement formats.

Additional paragraph for convenience translation into English:

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

2. Explanations on strategy of using financial instruments and foreign currency transactions:

The general strategy of the Bank in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Bank is deposits. For non-deposit items, the Bank maintains longer-term funding structure especially through long-term foreign borrowings. Funds from deposits and other funding sources are invested in high quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed in accordance with the risk limits approved in the Bank and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities is being held at minimum levels and the currency risk exposure is monitored within the limits determined by the Board of Directors under the context of Banking Act.

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognized in the income statement under the account of "Foreign exchange gains or losses", except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans.

The Bank hedges foreign currency exposure arising from carrying its foreign subsidiaries at equity method, with foreign currency financial liabilities and applies net investment hedge accounting. The effective portions of the change in fair value in financial liabilities in foreign currency are recorded under "Other accumulated comprehensive income that will be reclassified in other profit or loss" in equity.

In order to eliminate the inconsistency in the recognition, the Bank might classify its financial liabilities as financial liabilities at fair value through profit / loss upon the initial recognition.

3. Explanations on investments in associates, subsidiaries and joint ventures:

Associates, subsidiaries and joint ventures are being carried at equity method as defined in " TAS 28 - Investments in Associates and Joint Ventures" in the unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as "Other accumulated comprehensive income that will not be reclassified in profit or loss" under equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and "Other accumulated comprehensive income that will not be reclassified in profit or loss" under the equity, respectively. This accounting policy change is performed through an early adaption before the effective date of January 1, 2016 in accordance with the change of "TAS – 27 Turkish Accounting Standards for Individual Financial Statements" numbered 29321 on April 9, 2015 and confirmation by BRSA's letter numbered 10686 on July 14, 2015.

4. Explanations on forward and option contracts and derivative instruments:

The Bank's derivative transactions mostly include money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently remeasured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method applied to the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Bank documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Bank regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transaction is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or derecognition of the hedged item.

The Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using currency and interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in "Other accumulated comprehensive income that will be reclassified in profit or loss" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized.

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules in "TFRS 9 - Financial Instruments" and are therefore treated as "Derivative financial assets at fair value through profit or loss".

"Derivative financial assets at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "Derivative financial assets at fair value through profit or loss"; and if the fair value difference is negative, it is disclosed under "Derivative financial liabilities at fair value through profit or loss". Fair value changes are recorded under "Derivative Financial Transactions Gains/(Losses)" in the income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Parameters used for the valuation of the option portfolio are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to "TFRS – 9 Financial Instruments" in case (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2019, the Bank's credit derivatives portfolio included total return swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with "TFRS – 9 Financial Instruments" and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified.

Total return swaps are contracts, in which the seller commits to pay the contract value for all cash flows of the reference assets of the seller and the changes of the market values of these reference assets to the buyer during the contract maturity and bear all the decreases in the market value of the these reference assets. The Bank uses the total return swaps to generate long term funding.

Market risks of these products are monitored using the Bank's internal modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, currency exchange transactions, which are realized at value date in the initial phase of currency swaps, are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with Turkish Financial Reporting Standards, "TFRS – 9 Financial Instruments", comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

Within the scope of TFRS 13 Fair Value Measurement standard; (i) if there is a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities); (ii) when the transaction or quoted price does not represent fair value; and / or (iii) when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured, or (iv) when the price is stale, the Bank makes an adjustment to the transactions or quoted prices and reflects this adjustment to the fair value measurement. In this context, the Bank determines the point within the range that is most representative of fair value under current market conditions.

5. Explanations on interest income and expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically

Retrospective rediscount calculation and foreign exchange evaluation is performed for non performing loans, and accrued interest and rediscounts as of transfer to non performing loan accounts are accounted under loan accrual/rediscount accounts as per Uniform Chart of Accounts ("UCA"). The Bank ceases accruing interest after non-performing loan classification. In place of that, interest amount representing the time value of future collections is recognized under interest income instead of provision expense.

6. Explanations on fee and commission income and expenses:

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15.

7. Explanations on financial assets:

As of January 1, 2018, the Bank has applied TFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost

According to TFRS 9, classification of financial assets is based on two criterias; business model under which the financial asset is being managed and contractual cash flows representing solely payments of principal and interest of the financial asset. This evaluation incorporates whether there is any clause that may change timing or amount of contractual cash flows of the financial asset.

Classification of financial assets reflects the business model of how the Bank manages the assets in order to generate cash flows. Bank's business model may be to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a bank of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

Assessment of the business model

The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not a single-instrument basis approach for classification and should be determined on a higher level of aggregation.

During the assessment of the business model for management of financial assets, all relevant evidences available at the assessment date have taken into consideration. Such relevant evidence includes below:

- How the performance of the portfolio is evaluated and reported to the Bank's management;
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

If cash flows are realised in a way that is different from the expectations on the date of the assessment of the business model, that does not give rise to a prior period error in the financial statements nor does it change the classification of the remaining financial assets held in that business model as long as all relevant information that was available at the time of business model assessment were . However, when the business model is assessed for newly originated or newly purchased financial assets, it must be considered information about how cash flows were realised in the past, along with all other relevant information.

The business models are divided into three categories. These categories are defined below:

- Business model whose objective is to hold assets in order to collect contractual cash flows
  Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Bank manages the assets held within the portfolio to collect those particular contractual cash flows.

Although the objective of Bank's business model may be to hold financial assets in order to collect contractual cash flows, the Bank does not need to hold all of those instruments until the maturity. Thus Bank's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future.

The business model may be to hold assets to collect contractual cash flows even if the Bank sells financial assets when there is an increase in the assets' credit risk. The Bank considers reasonable and supportable information, including forward looking information,in order to determine whether there has been an increase in the assets' credit risk. Regardless of their frequency and value, sales due to an increase in the assets' credit risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows because the credit quality of financial assets is relevant to the Bank's ability to collect contractual cash flows.

➢ A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

The Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Bank's management have made a decision on both collecting contractual cash flows and selling financial assets is necessary for achieving the objective of the business model. There are various objectives that may be consistent with this type of business model. For example, the objective of the business model may be to manage liquidity needs on a daily basis, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities funding those assets. To achieve such an objective, the Bank will both collect contractual cash flows and sell financial assets.

Compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it.

Other business models

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

A portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Bank is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs. In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

When making such assessment, the Bank:

➢ contingent events that would change the amount and timing of cash flows
➢ leverage features
➢ prepayment and extension terms
➢ conditions restricting the Bank from asking the cash flows of the assets
➢ features that change the time value of the money

When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

7.1 Financial assets at fair value through profit or loss

Financial assets, which are classified as "Financial assets at fair value through profit or loss", are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

The principles regarding the accounting of derivative financial instruments are explained in detail in Note 4 of this section.

7.2. Financial assets measured at amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost. These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition they are carried at "Amortized cost" using the "Effective interest method".

7.3. Loans :

Loans are financial assets raised through lending without having the intention to trade in the short term. Loans are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the UCA. Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences are accounted for in "foreign exchange gain/loss" accounts.

The Bank provides provision for expected credit losses based on the assessments and estimates of the management, by considering "TFRS 9 - Financial Instruments" and the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 29750 dated June 22, 2016. In this context, the management estimates are determined on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "Other operating income". The write off policy is described in the explanations and notes related to assets, fifth section.

7.4. Financial assets at fair value through other comprehensive income:

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).

Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using alternative models. Equity instruments which are not quoted on a market and the fair values of which cannot be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity as "Other accumulated comprehensive income that will be reclassified in profit or loss ", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from Financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of a financial assets at fair value through other comprehensive income before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under "Profit/losses from capital market transactions".

7.5. Equity instruments measured at fair value through other comprehensive income:

At initial recognition, an irrevocable election can be made to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9. Such election is made on an instrument by instrument basis.

Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years' profit / loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation

8. Explanations on impairment of financial assets:

The Bank assesses the expected credit losses ("ECL") related with its debt instrument assets carried at amortised cost and at fair value through other comprehensive income, with the exposure arising from loan commitments and financial guarantee contracts on a forward-looking basis. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- 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.

The measurement of the expected credit loss allowance:

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of advanced models and significant assumptions about future economic conditions and credit behaviour.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

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 will be 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 will be transferred to this category. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

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

Life-time expected credit loss is calculated on an individual or collective basis for the financial assets in stage 2 and stage 3.

General provisions represent ECLs for the first stage and the second stage, specific provisions represent ECLs for the third stage.

The Bank has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag;
- the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- the Effective interest rate is the discount rate that expresses of the time value of money.

Such parameters are calculated starting from the corresponding parameters used for IRB preparation purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements.

The main adjustments aimed at:

- removal of prudency principal required for IRB preparation phase;
- introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for IRB preparation phase (YKB is at pre-application stage for A-IRB models. TFRS-9 parameters developed over these parameters.);
- with reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time on portfolio default rates.

Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove prudency principle and to reflect the most updated trend of recovery rates discounted at effective interest rate or at its best approximation.

The lifetime EAD has been obtained by converting the 1 year regulatory or managerial model to life-time, removing margin of prudency and including the expected discounted cash flow.

The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses which is aimed at transferring credit exposures from Stage 1 to Stage 2.

With reference to the quantitative component of the model for stage allocation, the Bank has adopted a statistical approach based on a quantiles regression whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date.

The Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- comparison, for each transaction, between the PD measured at the time of recognition and PD as at the reporting date, both calculated according to internal models, through thresholds set in a way considering all key variables of each transaction that can affect the Bank's expectation of PD changes over time;
- absolute elements such as the backstops required by law;
- additional internal evidence

Significant increase in credit risk

In the assessment of significant increase in credit risk quantitative and qualitative assessments are made;

Quantitative Assessment:

As a result of quantitative assessment, related financial asset is classified as stage 2 (Significant Increase in Credit Risk) when any of the following criterias are satisfied.

As of reporting date:

- Lifetime expected credit losses shall be recognized on a transaction base, when 30 days past due status is reached. The Bank can abandon this estimation when it has reasonable and supportable information available which demonstrates that even if contractual payments become more than 30 days past due, this does not represent a significant increase in the credit risk of a financial instrument.
- In case a loan has been restructured, it will be followed up under Stage 2 during the follow-up period mentioned in the related regulations. The loan can be transferred back to Stage 1 at end of the follow-up period if there is no significant deterioration.
- Provisions on unindemnified non cash loans are evaluated as significant increase in credit risk.

Qualitative Assessment

The probability of significant increase in credit risk under qualitative assessment is based on the comparison of probability of default of a loan in the origination and as of reporting date.

The Bank uses distribution regression on segment basis in order to calculate the thresholds used in defining the significant increase in credit risk.

Financial instruments defined as low risk for TFRS 9 are;

- Receivables from Central Bank of the Republic of Turkey;
- Loans with counterparty of Treasury of the Republic of Turkey
- The issued securities or guaranteed marketable securities from central banks of the countries where Bank's subsidiaries, associates are resident;
- Bank placements;
- Other money market transactions;
- Transactions of Bank's associates and subsidiaries

Forward Looking Information

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation.

For the calculation of expected credit loss, Bank uses macroeconomic estimation method which is developed during creation of various scenarios. Macroeconomic variables prevailing during these estimates are Gross Domestic Product (GDP) the Deflator of Gross Domestic Product and Mortgage Price Index.

When expected credit losses are estimated in accordance with the forward looking macroeconomic information, the Bank evaluates 3 scenarios (base, pessimistic and optimistic) with various weights based. Each of these scenarios are in relation with different probability of default risk.

Where macroeconomic scenarios do not include longer than 1 year maturity, a process called "convergence to the mean" is applied.

9. Explanations on offsetting financial assets:

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

10. Explanations on sales and repurchase agreements and securities lending transactions:

Securities subject to repurchase agreements ("Repo") are classified as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial assets measured at amortised cost" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Money market funds" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.

Funds given against securities purchased under agreements to resell ("Reverse repo") are accounted under "Receivables from money markets" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Bank has no securities lending transactions.

11. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:

According to the " TFRS – 5 Non-current Assets Held for Sale and Discontinued Operations" , a tangible asset (or a bank of assets to be disposed) classified as "Asset held for resale" is measured at lower of carrying value and fair value less costs to sell. An asset (or a bank of assets to be disposed) is regarded as "Asset held for resale" only when the sale is highly probable and the asset (or a bank of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

A discontinued operation is a part of the Bank's business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

The excess of the cost of an acquisition over the fair value of the Bank's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized. The acquirer also recognizes assets that are capable of being individually identified and separately recognized, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognized by the acquire before the business combination, if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

As explained in Note 2, Section 1, in 2006, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. The goodwill resulting from the merger and calculated in line with TFRS 3, was recorded in the unconsolidated financial statements of the Bank.

In line with "TFRS – 3 Business Combinations", the goodwill is not subject to amortization but is tested annually or more frequently for impairment losses, if any, in line with "TAS – 36 Impairment on Assets". For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units that is expected to benefit from the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment. 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.

There is no evidence of impairment on the goodwill amount as a result of the impairment test.

12.2. Other intangible assets:

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for impairment.

The Bank evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Bank estimates a recoverable amount in accordance with the "TAS – 36 Impairment of Assets". The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

Intangibles are amortized over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilize the economic benefit from the asset.

13. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with "TAS – 16 Property, Plant and Equipment". Subsequently, properties and equipment, except art objects, paintings and buildings are carried at cost less accumulated depreciation and provision for impairment.

The Bank adopted a fair value accounting method for its buildings as of March 31, 2015 in tangible assets in accordance with "TAS – 16 Property, Plant and Equipment".

The depreciation rate for buildings is 2-4%, for movables and movables acquired under financial leasing depreciation is calculated over estimated useful life by using the straight-line method.

The depreciation charge for items remaining in property and equipment for less than a full accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

In accordance with "TAS – 36 Impairment of Assets", where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

Expenditures for the repair and maintenance of property and equipment are recognized as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

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

14. Explanations on leasing transactions:

The Bank performs leasing transactions in the capacity of the lessee and lessor.

Accounting of leasing operations according to lessee:

The Bank has adopted "TFRS 16: Leases" as of January 1, 2019. The Bank has applied the simplified transition approach and elected not to restate comparative figures.

In accordance with TFRS 16, the Bank calculates "right-of-use" amount using the present value of the lease payments of fixed asset at the beginning of the leasing period and recognizes under "property and equipment". Unpaid leasing payments are calculated at their net present value and recognized under "lease payables" in liabilities. Lease payments are discounted using related borrowing rates.

Fixed assets that are subject to leasing is amortised on the basis of leasing period. Interest expense related to lease payables is classified under "interest on lease payables" under "interest expense" and exchange rate changes are classified under "foreign exchange gains/losses". Leasing payments are deducted from lease payables.

Impact of TFRS 16 on financial statements as of January 1, 2019 is as follow:

Information on lease payables

	January 1, 2019
Operating lease commitments within the scope of TFRS 16 (undiscounted)	**1.368.850**
Total lease payables within the scope of TFRS 16 (discounted using the borrowing rate)	**800.842**
Finance lease payables	**219**
Lease payables	**801.061**
- Current lease liabilities	178.050
- Non-current lease liabilities	623.011

Information on total right-of-use assets:

	January 1, 2019
Branch	754.915
ATM	46.146
Total right-of-use assets	**801.061**

Accounting of the leasing transactions in terms of the lessor:

The major risks and benefits of the property carried by the lessor are classified as operational leasing. The payments that are received as operational leasing are accounted as income via the linear method throughout the leasing term.

15. Explanations on provisions, contingent liabilities:

Provisions and contingent liabilities, except for the specific and general provisions recognized for loans and other receivables, are accounted in accordance with "TAS – 37 Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for contingent liabilities arisen from past events are recognized in the period of occurrence in accordance with the "Matching principle". A provision is recognized when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed 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 of the period in which the change occurs.

16. Explanations on obligations related to employee rights:

16.1. Employee termination benefits

Obligations related to employee termination and vacation rights are accounted for in accordance with "TAS – 19 Employee Rights" and are classified under "Reserve for employee rights" account in the balance sheet.

Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total liability for the future probable obligation of the Bank determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised "TAS – 19 Employee Rights" standard.

16.2. Pension rights

The Bank's personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law No.506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "Regulation Regarding the Actuaries" by a registered independent actuary.

Temporary article 23 paragraph 1 of the Banking Act published in the Official Gazette No. 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26731. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds 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 April 23, 2015 and numbered 29335. The president was authorized to determine the transfer date of pension funds in accordance with the last amendment by the Law No. 30473 published in the Official Gazette dated July 9, 2018.

A commission (whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members) is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

16.3. Short term benefits of employee:

Within the scope of "TAS – 19 Employee Rights", the Bank measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

17. Explanations on taxation:

17.1. Current tax:

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. "In addition, with the 91st article of The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts which came into effect, being published in the Official Gazette dated December 5, 2017 and numbered 30261, current 20% corporate tax rate, will be applied as 22% for enterprises' corporate income belonging to the taxation periods of 2018, 2019 and 2020. 22% rate will also be valid for aforementioned years' in the provisional tax declaration.

Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly on their corporate income. Advance tax is declared and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and 50% portion of the capital gains derived from immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the last evening of the fourth month following the balance sheet date and the accrued tax is paid same day. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

17.2. Deferred tax:

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "TAS – 12 Income Taxes" and in accordance with BRSA's explanations and circulars and the tax legislation. The Bank calculates deferred tax on deductible temporary differences, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

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

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

Additionally, in accordance with the related legislation of BRSA, deferred tax effect, if income, is not eligible for dividend distribution and share capital increase.

17.3. Transfer pricing:

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing (previously included as "Disguised profit" in the Corporate Tax Law No.5422). "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

"Arm's length principle", which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

18. Explanations on borrowings:

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortized cost" including costs of transactions using the "effective interest method".

Bank, classified its part of the financial debts as fair value through profit / loss on financial liabilities. Difference between fair value of the debt and amortized cost of the debt together with the interest expense paid on financial instrument is presented as trading gain and losses in the accompanying financial statements.

The Bank utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued by the Bank.

Also, the Bank obtains funds by issuing bonds and bills.

19. Explanations on issuance of share certificates:

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders' equity as "Share premium".

20. Explanations on avalized drafts and letter of acceptances:

Avalized drafts and acceptances are included in the "Off-balance sheet commitments".

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

21. Explanations on government grants:

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Bank received government grant from TÜBİTAK amounting to TL 694 (December 31, 2018 - TL 1.075).

22. Profit reserves and profit distribution:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

No dividend payments were announced after the balance sheet date.

23. Earnings per share:

Earnings per share disclosed in the income statement are calculated by dividing net profit/(loss) for the year to the weighted average number of shares outstanding during the period concerned.

	Current Period	**Prior Period**
Net Income/(loss) to be appropriated to ordinary shareholders	3.600.060	4.667.426
Weighted average number of issued ordinary shares(thousand)	844.705.128	643.084.249
Earnings per share (full TL)	**0,0043**	**0,0073**

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2019 (2018 - None).

24. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with "TAS – 24 Related Parties". The transactions with related parties are disclosed in detail in Note 5 of Section Five.

25. Explanations on operating segments:

Information about operating segments which are determined in line with "TFRS – 8 Operating Segments" together with organizational and internal reporting structure of the Bank, are disclosed in Note 10 of Section Four.

26. Explanations on other matters:

None.

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

Section Four - Information related to financial position of the Bank

1. Explanations on equity:

The calculation of the own funds and the capital adequacy standard ratio are performed in accordance with the communiqués such as "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio", "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" and "Regulation Regarding Banks' Shareholders' Equity". The capital adequacy ratio of the Bank is 17,81% (December 31, 2018 – 16,07%).

1.1. Information on equity:

	Current Period	Prior Period
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital	8.447.051	8.447.051
Share issue premiums	556.937	556.937
Retained earnings	26.058.750	21.391.324
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	5.716.725	6.833.879
Profit	3.600.060	4.667.426
Net profit of the period	3.600.060	4.667.426
Profit of the previous years	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	19.696	16.934
Common Equity Tier 1 capital before regulatory adjustments	**44.399.219**	**41.913.551**
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	81.748	53.668
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	1.574.703	2.910.052
Improvement costs for operating leasing	123.898	99.637
Goodwill (net of related tax liability)	979.493	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	792.785	721.454
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Cash-flow hedge reserve	-	1.513.584
Shortfall of provisions to expected losses	-	-
Securitisation gain on sale	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares	-	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	-
Mortgage servicing rights (amount above 10% threshold)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks' Shareholders' Equity	-	-
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	-	805.305
The amount above threshold for mortgage servicing rights	-	-
The amount above threshold for deferred tax assets arising from temporary differences	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
Total regulatory adjustments to Common equity Tier 1	**3.552.627**	**7.083.193**
Common Equity Tier 1 capital (CET1)	**40.846.592**	**34.830.358**

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

ADDITIONAL TIER 1 CAPITAL	Current Period	Prior Period
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	3.861.130	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
Additional Tier 1 capital before regulatory adjustments	**3.861.130**	**-**
Additional Tier 1 capital: regulatory adjustments	**-**	**-**
Investments in own Additional Tier 1 instruments	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory Adjustments which will be deducted from Tier 1 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 Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustments to Additional Tier 1 capital	**-**	**-**
Total Additional Tier 1 capital	**3.861.130**	**-**
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	**44.707.722**	**34.830.358**
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	6.817.423	7.070.650
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	492.467	711.040
Provisions (Article 8 of the Regulation on the Equity of Banks) (1)	2.723.888	2.522.438
Tier 2 capital before regulatory adjustments	**10.033.778**	**10.304.128**
Tier 2 capital: regulatory adjustments		
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	-	-
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	112.694	87.791
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Total regulatory adjustments to Tier 2 capital	**112.694**	**87.791**
Total Tier 2 capital	**9.921.084**	**10.216.337**
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	**54.589.297**	**45.002.936**
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	4.337	4.893
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition(2)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	35.172	38.866
Regulatory Adjustments which will be deducted from Total Capital during the transition period		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions(amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

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

OWN FUNDS	Current Period	Prior Period
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	54.589.297	45.002.936
Total Risk Weighted Assets	306.434.651	280.045.872
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	13,33	12,44
Tier 1 Capital Adequacy Ratio (%)	14,59	12,44
Capital Adequacy Ratio (%)	17,81	16,07
BUFFERS		
Institution specific buffer requirement of the Bank(a+b+c)	2,530	1,900
a) Capital conservation buffer requirement (%)	2,500	1,875
b) Bank's specific countercyclical buffer requirement (%)	0,030	0,025
c) Systemically important Bank buffer (%)	-	-
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 (%)	8,590	6,437
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	-	-
Significant investments in the common stock of financials	902.257	-
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	2.848.751	2.393.632
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before ten thousand twenty five limitation)	6.384.341	5.177.890
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	3.492.164	3.233.895
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	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	492.467	711.040
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	4.993.118	4.549.860

(1) Represents post-tax net amount of general provisions.
(2) According to the "Regulation Regarding to changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.

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

1.2. Details on Subordinated Liabilities:

	1	2	3	4	5	6	7
Lender (1,2), Issuer (3,4,5)	UNICREDIT SPA	UNICREDIT SPA	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861979440/ US984848AB73	XS1376681067/ US984848AF87	XS1867595750/ US984848AL55	TRSYKBK62914	TRSYKBK92911
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law /Turkish Law	English Law /Turkish Law	BRSA /CMB / Turkish Law	BRSA /CMB / Turkish Law
Regulatory treatment							
Transitional Basel III rules	No	No	Yes	No	No	No	No
Eligible at stand-alone / consolidated	Stand-alone -Consolidated	Stand-alone –Consolidated	Stand-alone –Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Bond	Bond	Bond	Bond	Bond
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	2.085	963	492	2.970	3.861	500	300
Par value of instrument	3.475	1.604	5.485	2.970	3.861	500	300
Accounting classification	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	March 8, 2016	January 15, 2019	July,3 2019	October,3 2019
Perpetual or dated	Dated	Dated	Dated	Dated	Perpetual	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years + 1 day	-	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	No	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	-	5 years	Every 5 years	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	-	-	Every 5 years	After 5th year	After 5th year
Coupons / dividends							
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Variable İnterest	Variable İnterest
Coupon rate and any related index	5,7%	First 5 years 6,55%fixed, second 5 years 7,7156% fixed	5,7%	8,625% 5 Year MidSwap+7,40% basis points, 8,625% coupon	First 5 years 13,875% fixed, after 5th year MidSwap+11,245% fixed	3 monthly TRYLIBOR +1,00 %	TLREF index change + 1,30%
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	-	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory	Optional	Mandatory	Mandatory
Existence of step up or other incentive to redeem	-	-	-	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative	Noncumulative	Noncumulative	Noncumulative
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)	-	-	-	In case of default	In case of default/ Common Equity Tier 1 capital adequacy ratio of the bank falls below 5.125%	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF
If write-down, full or partial	-	-	-	Partial	Partial and complete	Partial and complete	Partial and complete
If write-down, permanent or temporary	-	-	-	Permanent	Temporary	Permanent	Permanent
If temporary write-down, description of write-up mechanism	-	-	-	-	In case of cancellation of default/ Common Equity Tier 1 capital adequacy ratio of the bank is higher than 5.125%	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, and the TIER 1	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of "Own fund regulation"	No	No	Yes	No	No	No	No
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-	8-2-ğ	-	-		-

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

1.3. There are differences between the figures in the own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, the losses and gains that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the (i) item of the first paragraph in the ninth article of the "Regulation Regarding Banks' Shareholders' Equity" are considered in the own funds. In addition, the subordinated liabilities are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the "Regulation Regarding Banks' Shareholders' Equity".

1.4. Exposures subject to countercyclical capital buffer

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital buffers of Banks" published in the Official Gazette no. 28812 dated November 5, 2013 is presented below:

Private sector receivables:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	226.912.767	-	226.912.767
Malta	984.064	-	984.064
Italy	856.991	-	856.991
Marshall Islands	537.654	-	537.654
Republic of Maldives	468.238	-	468.238
Azerbaijan	433.148	-	433.148
United States of America	321.904	-	321.904
Germany	170.214	-	170.214
Russia	140.006	-	140.006
Netherland	131.804	-	131.804
England	99.431	-	99.431
Other	637.359	-	637.359
Total	**231.693.580**	-	**231.693.580**

2. Explanations on Credit Risk*:*

2.1. Credit risk is the loss or the risk of the Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Bank's Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each dealer at Treasury department who is authorized for transactions in the market are performed by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. Collaterals and guarantees must be obtained during credit underwriting based on credit worthiness, customers' financial status, and credit type.While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office.

Also the pricing of these commitments are decided by coordination with Treasury Management.

The Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

Rating system used for Medium Sized Entities (ME), Small and Medium Sized Entities (SME) and Corporate/Commercial customers is also used for defining the authorization level for loan granting. Thus, customers with a low rating are assigned to higher authority levels, whereas customers with a high rating are assigned to lower authority levels. By using this methodology it is aimed to establish risk based optimization in the loan processes.

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

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate, Commercial, ME and SME customers of the Bank is as follows:

	Current Period	Prior Period
Above average	47,5%	48,1%
Average	42,8%	45,1%
Below average	9,7%	6,8%

The Bank takes following criterias into consideration for the identification of default:

- The loan is overdue more than 90 days.
- The borrower is not able to pay at least one of the loans he received from the Bank (cross default)
- Having a negative intelligence and bad-record for the borrower in the market.
- Deterioration of the creditworthiness of the borrower

The Bank sets aside expected credit loss provisions in accordance with the Provisioning Regulation within the scope of "provisions" and "value adjustments".

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, are disclosed below for the relevant period:

Risk Classifications:	Current Period risk amount (1)	Average risk amount
Conditional and unconditional receivables from central governments or central banks	92.150.105	92.081.822
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	103.721	265.917
Conditional and unconditional receivables from multilateral development banks	10.915	11.320
Conditional and unconditional receivables from banks and brokerage houses	53.711.267	36.527.510
Conditional and unconditional receivables from corporates	170.849.203	171.333.725
Conditional and unconditional retail receivables	81.639.594	78.592.249
Conditional and unconditional receivables secured by mortgages	25.369.290	28.525.419
Past due receivables	6.874.221	5.066.039
Receivables defined as high risk category by the Regulator	191.966	154.136
Investment in equities	4.997	2.905
Other receivables	8.309.081	7.343.162
Conditional and unconditional receivables from central governments or central banks	13.753.425	13.950.857
Total	**452.967.785**	**433.855.061**

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.2 The Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Bank may use its rights, as stated in the derivative agreements based on which the Bank realizes derivative transactions, in order to eliminate the credit risks that may arise due to being exposed to severe credit risk levels arising from fluctuations in the market.

2.3 In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non-cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

2.4 Banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material risks have been observed in scope of these operations.

2.5 Regarding credit risk;

- The proportion of the Bank's top 100 and 200 cash loan balances in total cash loans is 36% and 43% (December 31, 2018 - 31% and 40%).
- The proportion of the Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 49% and 62% (December 31, 2018 - 49% and 64%).
- The proportion of the Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 39% and 48% of total cash loans and non-cash loans (December 31, 2018 - 37% and 47%).

2.6 The Bank provided a generic loan loss provision amounting to TL 6.384.341 (December 31, 2018 - TL 5.177.890).

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

2.7 Risk profile according to the geographical concentration:

	Risk Classifications [1)(2)]													
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**Total**
Current Period														
Domestic	92.150.105	-	103.721	-	19.817.368	162.590.256	81.626.189	25.361.708	6.760.768	191.963	4.997	212.671	13.753.425	402.573.171
EU countries	-	-	-	2.001	17.882.457	2.490.793	6.477	3.296	101.323	-	-	-	-	20.486.347
OECD countries (3)	-	-	-	-	2.060.550	1.021.697	902	1.688	2	-	-	-	-	3.084.839
Off-shore banking regions	-	-	-	-	35.926	1.355.650	33	-	11.717	-	-	-	-	1.403.326
USA, Canada	-	-	-	8.914	13.746.036	1.794.590	1.243	934	7	-	-	269.484	-	15.821.208
Other countries	-	-	-	-	168.930	1.596.217	4.750	1.664	404	3	-	-	-	1.771.968
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	7.826.926	-	7.826.926
Undistributed Assets / Liabilities (4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**92.150.105**	**-**	**103.721**	**10.915**	**53.711.267**	**170.849.203**	**81.639.594**	**25.369.290**	**6.874.221**	**191.966**	**4.997**	**8.309.081**	**13.753.425**	**452.967.785**

	Risk Classifications [(1)(2)]													
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**Total**
Prior Period														
Domestic	97.830.947	-	144.783	-	170.475	156.548.026	77.214.539	28.250.110	3.556.045	105.662	2.567	10.614	12.589.841	376.423.609
EU countries	-	-	-	2.133	15.895.645	2.337.700	5.004	1.611	14.814	-	-	-	-	18.256.907
OECD countries (3)	-	-	-	-	730.633	1.002.214	651	1.524	-	73	-	-	-	1.735.095
Off-shore banking regions	-	-	-	-	50.628	1.305.144	8	-	13.294	-	-	-	-	1.369.074
USA, Canada	-	-	-	7.900	841.829	913.892	548	253	14	-	-	170.522	-	1.934.958
Other countries	-	-	-	-	197.629	1.749.569	2.265	933	6.901	-	-	-	-	1.957.297
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	5.984.654	-	5.984.654
Undistributed Assets / Liabilities (4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**97.830.947**	**-**	**144.783**	**10.033**	**17.886.839**	**163.856.545**	**77.223.015**	**28.254.431**	**3.591.068**	**105.735**	**2.567**	**6.165.790**	**12.589.841**	**407.661.594**

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.
(2) Includes credit risk amounts of total exposure before applying credit risk mitigations.
(3) OECD Countries other than EU countries, USA and Canada.
(4) Assets and liabilities are not allocated on a consistent basis

1-Conditional and unconditional receivables from central governments or central banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
4-Conditional and unconditional receivables from multilateral development banks
5-Conditional and unconditional receivables from banks and brokerage houses
6-Conditional and unconditional receivables from corporates
7-Conditional and unconditional retail receivables
8-Conditional and unconditional receivables secured by mortgages
9-Past due receivables
10-Receivables defined as high risk category by the Regulator
11-Exposures in the form of collective investment undertaking
12-Investment in equities
13-Other receivables

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

2.8 Risk profile according to sectors and counterparties:

	Risk classifications (1)(2)															
	1	2	3	4	5	6	7	8	9	10	11	12	13	TL	FC	Total
Agricultural	**5**	**-**	**2.595**	**-**	**-**	**4.783.312**	**1.720.988**	**345.335**	**218.459**	**1.112**	**-**	**-**	**-**	**3.627.103**	**3.444.703**	**7.071.806**
Farming and raising livestock	5	-	2.595	-	-	3.831.721	1.487.320	317.680	157.906	1.019	-	-	-	2.987.342	2.810.904	5.798.246
Forestry	-	-	-	-	-	742.300	208.936	25.562	3.109	20	-	-	-	522.259	457.668	979.927
Fishing	-	-	-	-	-	209.291	24.732	2.093	57.444	73	-	-	-	117.502	176.131	293.633
Manufacturing	**-**	**-**	**1.354**	**-**	**-**	**99.420.068**	**19.280.202**	**6.988.647**	**4.098.591**	**156.751**	**-**	**1.870**	**-**	**58.678.107**	**71.269.376**	**129.947.483**
Mining	-	-	-	-	-	988.595	204.474	42.098	105.256	341	-	-	-	990.119	350.645	1.340.764
Production	-	-	1.309	-	-	58.733.972	18.762.664	6.727.885	2.536.216	9.102	-	1.870	-	47.984.848	38.788.170	86.773.018
Electric, gas and water	-	-	45	-	-	39.697.501	313.064	218.664	1.457.119	147.308	-	-	-	9.703.140	32.130.561	41.833.701
Construction	**-**	**-**	**28**	**-**	**-**	**27.992.142**	**4.879.780**	**3.117.420**	**767.721**	**17.198**	**-**	**22.636**	**-**	**12.666.003**	**24.130.922**	**36.796.925**
Services	**92.150.100**	**-**	**99.744**	**10.915**	**52.918.148**	**37.909.176**	**10.016.408**	**7.708.091**	**1.226.923**	**6.273**	**-**	**8.281.995**	**9.203.113**	**98.628.898**	**120.901.988**	**219.530.886**
Wholesale and retail trade	-	-	-	-	-	4.613.625	4.634.530	1.028.973	263.146	2.142	-	-	-	8.032.937	2.509.479	10.542.416
Hotel, food and beverage services	2	-	4	-	-	5.008.245	1.278.275	2.854.390	247.237	350	-	-	-	2.982.811	6.405.692	9.388.503
Transportation and telecommunication	-	-	-	-	-	9.877.791	1.320.623	484.902	162.109	1.256	-	204.053	-	3.514.002	8.536.732	12.050.734
Financial institutions	92.148.039	-	16	10.915	52.918.148	6.404.304	351.549	456.975	5.382	206	-	8.074.258	9.203.113	76.845.459	92.727.446	169.572.905
Real estate and renting services	-	-	368	-	-	4.404.074	528.897	2.246.423	487.710	902	-	-	-	1.843.342	5.825.032	7.668.374
Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education services	1.618	-	444	-	-	333.976	151.425	86.974	8.454	27	-	-	-	533.440	49.478	582.918
Health and social services	441	-	98.912	-	-	7.267.161	1.751.109	549.454	52.885	1.390	-	3.684	-	4.876.907	4.848.129	9.725.036
Other	**-**	**-**	**-**	**-**	**793.119**	**744.505**	**45.742.216**	**7.209.797**	**562.527**	**10.632**	**4.997**	**2.580**	**4.550.312**	**58.492.971**	**1.127.714**	**59.620.685**
Total	**92.150.105**	**-**	**103.721**	**10.915**	**53.711.267**	**170.849.203**	**81.639.594**	**25.369.290**	**6.874.221**	**191.966**	**4.997**	**8.309.081**	**13.753.425**	**232.093.082**	**220.874.703**	**452.967.785**

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.
(2) Includes credit risk amounts of total exposure before applying credit risk mitigations.

1-Conditional and unconditional receivables from central governments or central banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
4-Conditional and unconditional receivables from multilateral development banks
5-Conditional and unconditional receivables from banks and brokerage houses
6-Conditional and unconditional receivables from corporates
7-Conditional and unconditional retail receivables
8-Conditional and unconditional receivables secured by mortgages
9-Past due receivables
10-Receivables defined as high risk category by the Regulator
11-Exposures in the form of collective investment undertaking
12-Investment in equities
13-Other receivables

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

2.9 Risk profile according to remaining maturities:

Risk classifications[1]	1 month	1-3 months	3-6 months	6-12 months	1 year and over	Total
Conditional and unconditional receivables from central governments or central banks	37.548.377	3.657.678	1.000.629	1.343.044	46.612.107	90.161.835
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	7.830	7.062	32.715	30.351	25.672	103.630
Conditional and unconditional receivables from multilateral development banks	891	169	8.745	844	266	10.915
Conditional and unconditional receivables from banks and brokerage houses	28.001.754	2.602.372	2.463.151	1.507.702	6.776.711	41.351.690
Conditional and unconditional receivables from corporates	11.012.188	14.678.952	13.970.991	22.076.001	109.035.704	170.773.836
Conditional and unconditional retail receivables	29.254.109	2.803.110	4.216.816	6.098.064	36.473.027	78.845.126
Conditional and unconditional receivables secured by mortgages	469.960	882.837	1.300.901	2.025.777	20.639.817	25.319.292
Past due receivables	-	-	-	-	-	-
Receivables defined as high risk category by the Regulator	266	94.955	1.373	3.871	72.827	173.292
Exposures in the form of collective investment undertaking	-	-	4.997	-	-	4.997
Investments in equities	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**106.295.375**	**24.727.135**	**23.000.318**	**33.085.654**	**219.636.131**	**406.744.613**

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.10 Risk balances according to risk weights:

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are presented below:

	Risk Weights	0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Total	Deductions from the shareholders' equity
1	Total exposure before credit risk mitigation	85.132.248	12.923.453	86.471	30.909.199	10.686.535	27.091.531	81.639.595	202.059.499	1.536.997	902.257	452.967.785	2.048.379
2	Total exposure after credit risk mitigation	94.498.987	308.898	86.471	30.848.778	10.686.535	26.464.464	74.144.096	195.262.364	797.184	902.257	434.000.034	2.048.379

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

2.11. Information according to sectors and counterparties :

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days and above and/or negative risk assessments of creditworthiness of the debtor; "Specific Provision" is set aside in the accompanying financial statements as of 31 December 2019.

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days; "General Provision" is set aside in the accompanying financial statements as of 31 December 2019.

Sectors and Counterparties	Loans		Provisions
	Impaired		
	Significant increase in credit risk (stage 2)	Credit Impaired (stage 3)	Expected Credit Losses
Agricultural	**568.593**	**651.877**	**441.319**
Farming and raising livestock	315.001	539.641	388.917
Forestry	251.899	17.627	15.271
Fishing	1.693	94.609	37.131
Manufacturing	**24.347.121**	**10.986.548**	**10.113.600**
Mining	83.190	252.273	153.006
Production	6.110.621	6.916.569	4.726.810
Electric, gas and water	18.153.310	3.817.706	5.233.785
Construction	**11.617.351**	**2.359.844**	**2.327.689**
Manufacturing	**5.786.072**	**3.322.042**	**2.453.428**
Wholesale and retail trade	544.065	935.448	690.388
Hotel, food and beverage services	692.777	563.842	359.017
Transportation and telecommunication	608.930	584.233	480.837
Financial institutions	1.100.704	56.337	154.982
Real estate and renting services	2.187.666	891.519	511.631
Professional Services	-	-	-
Education services	18.257	27.544	20.251
Health and social services	633.674	263.120	236.321
Other	**2.729.092**	**2.129.989**	**1.760.241**
Total	**45.048.229**	**19.450.300**	**17.096.277**

2.12 Information about value adjustments and changes in the loan impairment:

		Opening balance	Provision amounts set aside during the period	Reversal of provisions	Other adjustments[1]	Close out balance
1	Specific provisions	9.616.506	7.565.826	(1.584.283)	(3.412.145)	12.185.904
2	General provisions	5.177.890	1.206.451	-	-	6.384.341

(1) The figure represents write-off's and also includes NPL sales amounts.

3. Explanations on Risk Management:

3.1. General Information on Risk Management and Risk Weighted Amount

3.1.1. Risk Management Approach of The Bank

Risk management strategy of the Bank ensures using the capital at an optimum level and provide sustainable growth in this framework through measurement of risks in accordance with international standards and local regulations and taking risk-return balance into consideration in the framework of sustainable growth. Risk management approach of the Bank is based on strong risk management techniques of ISEDES (Evaluation Process of Internal Capital Adequacy) and prospective planning and capital evaluation depending upon risk profile.

A prospective capital planning approach is adopted for the Bank to carry out its operations if certain losses are incurred as a result of unexpected events or deteriorations in markets. The best international practices are utilized for the determination, measurement, analysis and control of risks. The process regarding identification of risks and determination of appropriate measurement method has a dynamic structure in which the risk management is improved through inspiring from advanced international practices and analyses updated in line with its business evolution. A risk appetite framework integrated to budget process, has been developed in order to carry out related activities at an optimum level while reaching predefined budget target of the Bank and therefore an appropriated risk positions are ensured to be taken.

Risk appetite, as an integral part of the main pillar and a crucial instrument of the Bank Management, is implemented in order to ensure the execution of Bank's activities in an ideal manner through taking appropriate risk positions at an acceptable level of risk. Risk appetite, is integrated to management and budget processes of the Bank with performance indicators which are sensitive to risk.

Risk appetite indicators, targets, limits and critical thresholds are determined by the Executive Committee with the joint recommendation of Financial Planning and Financial Affairs Management and Risk Management. Possible changes which may occur in economic conditions are taken into consideration during the determination of aforementioned limits and thresholds.

Determined risk appetite indicators consists of capital adequacy, risk, financing and liquidity ratios of the Bank and senior management ensures the Bank to carry out its activities in the range of such targets and critical thresholds. Senior management should take emergency precautions if the critical thresholds are exceeded. Monitoring and periodical reporting to senior management is performed by the related units in order to implement risk appetite framework.

The Bank implements internal policies and procedures that are audited and approved at least once a year by the Board of Directors in order to manage market risks arising from on-balance sheet and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

The Credit Policy Directive, which reflects the general framework of Bank's credit allocation activities, is updated minimum annually and implemented with the approval of the Board of Directors. Credit Policy Directive is based on improving asset quality, supporting effective risk management and compliance with legal practices. In addition, it includes management of lending activities according to the Bank's common standards, limitations and principles.

The main purpose of the credit risk management is to identify, measure and mitigate credit risk, react in a timely manner and take necessary actions with the help of efficient and well-functioning rating/scoring models, strategies and processes. The main strategies include topics like effective implementation of the Credit Policy Directive to reinforce the sustainability of common risk management approach, steering of the loan portfolio toward less risky sectors, avoidance of excessive concentration in Group exposures while strictly obeying statutory limits, focus on customers with better credit ratings, avoidance of transactions bearing high credit and reputational risk, managing country risk in line with established strategy, policy and rules, timely updates to senior management about all developments in credit risk area to ensure effective credit risk management, performing credit stress tests and participating in credit risk regulatory processes.

ISEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of Board of Directors. The report mainly includes Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

Risk Management reports to Board of Directors in organisation structure via Audit Committee. Risk Management organisation is divided into "Market Risk Management", "Credit Risk Management" and "Strategic Risk Control" and "Risk Validation" units.

In the process of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policy.

Value at Risk, Basis Point Value (interest rate sensitivity), and Credit Basis Point Value (credit spread sensitivity) are risk metrics calculated via internal models and used in measurement of market risks. Risk measures are monitored at product, portfolio and account (banking / trade) basis. Performance of internal models is measured by backtesting of the model's outputs.

With the liquidity coverage ratio introduced by Basel III, short term liquidity and structured liquidity methods, which are internally monitored in the Bank, are utilized in liquidity risk management.

Measurements performed via internal models in the context of market risk management are reported to the Bank's Top Management, Treasury, Financial Reporting and Credit Monitoring Units (for the Counterparty Credit Risk process) on a daily basis and to the Board of Directors and Executive Committee on a monthly basis.

Stress tests, provide a prospective point of view during risk management , budget and capital planning processes through reviewing the impact of events or changes in markets, which have a low possibility to occur under normal conditions but may result in losses to Bank in case they occur. The Bank performs stress tests to measure impacts of temporary or continuous deteriorations in market risk factors on income statement and to make capital plans. Scenarios, having basis, medium and high stress levels, aim to measure impacts of adverse conditions across the country on the economic value of the Bank through risk factors. Other important risk elements such as Fixed Assets held by the Bank and financial investment risks faced through its subsidiaries, as well as price movements, are reviewed during stress test processes as well.

Stress test studies are made with the active participation of senior management and impact of the stress test to the general risk profile of the Bank is reported. Senior management participates in establishing of stress test's scenario, analyzing of its results, through determination of the scope and approach of the scenario, guidance of required directions and review of results and recommendation of action plans. Stress scenarios, up-to-date estimations and crisis scenarios are prepared by Macroeconomic Research Department.

The Bank reduces market risk exposure within scope of its commercial activities through derivative instruments and makes an effort to control impacts of the risks on capital through hedge accounting implementation. It holds foreign exchange positions to manage residual positions as a result of banking activities through performing a conservative approach to exchange risk and manages its end of day positions at a minimum level..

For the mitigation of risks, Operational risk management carries out the activities of restructuring of processes, pre-assessments and controls of products, use of external sources and management of insurance activities for determination of appropriate exemptions and limitations. It performs studies throughout the Bank in order to analyze related losses and processes to determine risk mitigating actions and decrease future operational risks. Precautions are determined and applied with respect to loss incidents, key operational risk indicators, scenarios, projects and new product analysis.

Business continuity management policy aims at reducing the risks to a minimum level and ensuring the continuity of critical product and services in an acceptable period.The policy is regularly updated and approved by the Board of Directors.

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

3.1.2. Overview of Risk Weighted Assets

		Risk Weighted Assets		Minimum Capital Requirements
		Current Period	**Prior Period**	**Current Period**
1	Credit risk (excluding counterparty credit risk) (CCR)	272.047.948	251.757.093	21.763.836
2	Of which standardised approach (SA)	272.047.948	251.757.093	21.763.836
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	5.066.958	6.953.111	405.357
5	Of which standardised approach for counterparty credit risk (SA-CCR)	5.066.958	6.953.111	405.357
6	Of which internal model method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity investments in funds – look-through approach	2.603	1.459	208
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – fall-back approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	2.581.955	2.037.040	206.556
17	Of which standardised approach (SA)	2.581.955	2.037.040	206.556
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	24.479.544	19.297.169	1.958.364
20	Of which Basic Indicator Approach	24.479.544	19.297.169	1.958.364
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	2.255.643	-	180.452
24	Floor adjustment	-	-	-
	TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	**306.434.651**	**280.045.872**	**24.514.773**

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

3.2. Linkages between financial statements and risk amounts

3.2.1 Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

		Carrying values of items in accordance with TAS				
Current Period	**Carrying values in financial statements prepared as per TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitisation framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets						
Financial Assets (Net)	106.477.051	90.941.386	19.649.161	-	3.301.223	112.694
Financial Assets Measured at Amortised Cost (Net)	252.057.151	257.983.529	-	-	-	39.509
Assets Held For Resale And Related To Discontinued Operations (Net)	320.059	320.059	-	-	-	-
Investment in Subsidiaries, Associates, Joint Ventures	7.826.926	7.826.926	-	-	-	-
Property And Equipment (Net)	4.281.326	4.157.428	-	-	-	123.898
Intangible Assets (Net)	1.845.101	72.823	-	-	-	1.772.278
Tax Asset	1.980.629	1.980.629	-	-	-	-
Other Assets	12.707.584	12.816.493	-	-	-	-
TOTAL ASSETS	**387.495.827**	**376.099.273**	**19.649.161**	**-**	**3.301.223**	**2.048.379**
Liabilities						
Deposits	222.790.118	-	-	-	-	222.790.118
Borrowings	38.110.542	-	-	-	-	38.110.542
Money Markets	3.695.744	-	3.695.744	-	-	-
Marketable Securities Issued (Net)	20.703.691	-	-	-	-	20.703.691
Financial Liabilities Fair Value Through Profit and Loss	13.184.605	-	-	-	-	13.184.605
Derivative Financial Liabilities	7.076.433	-	2.679.451	-	2.771.885	4.396.982
Lease Payables (Net)	899.105	-	-	-	-	899.105
Provisions	3.620.181	-	-	-	-	3.620.181
Tax Liability	838.765	-	-	-	-	838.765
Subordinated Debts	18.580.039	-	-	-	-	18.580.039
Other Liabilities	16.808.950	-	-	-	-	16.808.950
Shareholder's Equity	41.187.654	-	-	-	-	41.187.654
TOTAL LIABILITIES	**387.495.827**	**-**	**6.375.195**	**-**	**2.771.885**	**381.120.632**

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

		Carrying values of items in accordance with TAS				
Prior Period	**Carrying values in financial statements prepared as per TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitisation framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets						
Financial Assets (Net)	93.105.326	84.111.010	10.667.318	-	5.097.504	87.791
Financial Assets Measured at Amortised Cost (Net)	232.975.018	237.807.906	-	-	-	43.759
Assets Held For Resale And Related To Discontinued Operations (Net)	288.349	288.349	-	-	-	-
Investment in Subsidiaries, Associates, Joint Ventures	6.789.960	5.984.655	-	-	-	805.305
Property And Equipment (Net)	3.270.211	3.170.574	-	-	-	99.637
Intangible Assets (Net)	1.749.439	48.492	-	-	-	1.700.947
Tax Asset	569.635	569.635	-	-	-	-
Other Assets	9.295.653	9.372.391	-	-	-	-
TOTAL ASSETS	**348.043.591**	**341.353.012**	**10.667.318**	**-**	**5.097.504**	**2.737.439**
Liabilities						
Deposits	202.549.136	-	-	-	-	202.549.136
Borrowings	37.349.338	-	-	-	-	37.349.338
Money Markets	1.545.621	-	1.345.575	-	-	200.046
Marketable Securities Issued (Net)	16.385.012	-	-	-	-	16.385.012
Financial Liabilities Fair Value Through Profit and Loss	7.965.404	-	-	-	-	7.965.404
Derivative Financial Liabilities	7.281.305	-	4.173.497	-	5.632.629	3.107.807
Lease Payables (Net)	219	-	-	-	-	219
Provisions	3.307.657	-	-	-	-	3.307.657
Tax Liability	1.091.311	-	-	-	-	1.091.311
Subordinated Debts	13.557.153	-	-	-	-	13.557.153
Other Liabilities	18.007.936	-	-	-	-	18.007.936
Shareholder's Equity	39.003.499	-	-	-	-	39.003.499
TOTAL LIABILITIES	**348.043.591**	**-**	**5.519.072**	**-**	**5.632.629**	**342.524.518**

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

3.2.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Current Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	399.049.657	376.099.273	-	19.649.161	3.301.223
2	Liabilities carrying value amount under regulatory scope of consolidation	9.147.080	-	-	6.375.195	2.771.885
3	**Total net amount under regulatory scope of consolidation**	**389.902.577**	**376.099.273**		**13.273.966**	**529.338**
4	Off-Balance Sheet Amounts	184.268.857	57.961.645	-	1.729.316	-
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 Resulted from the BRSA's Applications	-	-	-	-	2.052.617
9	Differences due to risk reduction	-	(4.969.862)	-	(10.094.304)	-
	Risk Amounts	**574.171.434**	**429.091.056**	**-**	**4.908.978**	**2.581.955**

	Prior Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	357.117.834	341.353.012	-	10.667.318	5.097.504
2	Liabilities carrying value amount under regulatory scope of consolidation	11.151.701	-	-	5.519.072	5.632.629
3	**Total net amount under regulatory scope of consolidation**	**345.966.133**	**341.353.012**		**5.148.246**	**(535.125)**
4	Off-Balance Sheet Amounts	162.150.694	58.407.567	-	1.583.452	-
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 Resulted from the BRSA's Applications	-	-	-	-	2.572.165
9	Differences due to risk reduction	-	(3.593.587)	-	(21.390)	-
	Risk Amounts	**508.116.827**	**396.166.992**	**-**	**6.710.308**	**2.037.040**

3.2.3. Explanations of differences between accounting and regulatory exposure amounts

There is no difference between amounts reported in the financial statements and valuated in accordance with TAS and amounts valuated in accordance with TAS in scope of legal consolidation.

Bank's financial instruments subject to fair value measurement are valued using Mark-to-Market or Mark-to-Model approach based on their product types. Implementation of valuation methodologies is carried out in accordance with the "Fair Value Measurement" policies in line with the prudent valuation principles set out in the annex of the Directive on Measurement and Assessment of Banks' Capital Adequacy. The Bank uses market prices for bonds and futures contracts traded in organized markets, while it often uses platforms generating Mark-to-Model value for derivative transactions traded in OTC markets. Mark-to-Market or Mark-to-Model valuations are made on a daily basis so that changes in the market can be reflected in the Bank's financials with the same frequency.

The Independent Price Control process (IPV) is designed to draw the errors or deviations that may occur in the valuations to the minimum level, to calculate the correct profit / loss and risk, through verification, comparison and approval of market prices and model inputs regularly with independent and different sources. The purpose of the IPV is to ensure that the data used for bank valuations are generated on a daily basis from a highly representative, adequately liquid and accurate instruments. All these processes have a clear, integrated and complementary approach that is in line with the objectives of the Bank.

Prices quoted in active markets for securities and derivative transactions are used to record the fair value of an instrument, but quoted prices are generally not available in active markets. Appropriate valuation techniques are used for financial instruments that are not traded in the market but the estimated fair value is adjusted through valuation techniques of the market participant's estimation of similar asset or liability price. Such adjustments are categorized close out cost, market liquidity, model risk and credit valuation adjustments.

Close out Cost adjustment reflects the amount which would be incurred to arrive at an appropriate ask/liquidation price (financial instruments which are assets at valuation date) or bid/unwind price (financial instruments which are liabilities at valuation date) for financial instruments valued at mid-market prices.

Market liquidity adjustment is calculated to reflect the amount which would be incurred to close out the position when liquidity is not sufficient. When there is not any tradeable price on liquid two way market, a liquidity discount is applied for pricing.

Model risk; reflects the risk stemming from deficiencies in model. Complexity of the model, being market standard and capability to incorporate all known risk factors determine the necessity/applicability of model risk adjustments.

Credit Value Adjustment (CVA), is defined as market value of counterparty credit risk (CCR), which arises from the possibility of a counterparty's default and considered in regulatory capital adequacy calculations for all CCR exposures.

3.3. Explanations on Credit Risk

3.3.1 General information on credit risk

3.3.1.1. General qualitative information on credit risk

Credit risk is the loss or the risk of the Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year.

Credit granting authorization levels are also determined in accordance with the rating of the customer in ME and SME segment. By using this methodology; it is aimed to establish risk based optimization of credit processes through assigning the lower rated customer to higher authority levels whereas assigning higher rated customer to lower authority levels.

The Bank uses scorecard system for its retail and credit card customers for the underwriting and limit management processes. The scorecard system was internally developed, and being updated and approved regularly.

Credit Policy is prepared to be well-structured in line with the BRSA loan management guidebook.

Credit policy is revised at least once a year, approved by Board of Directors, announced within the bank and implemented in accordance with the appropriate procedures in banks.During the review of credit policies, economic conjuncture, the bank's capital adequacy ratio and amendments in related regulation are taken into consideration. Key elements such as target markets, portfolio structure and concentration, large exposures, credit limit applications, approval authorities are determined in the credit policies. In the policies,key messages are provided based on principles of prudence,continuity about the customer's credit worthiness, specific sectors, segments and products for growth in accordance with the defined credit strategies.

Credit Risk Management Section is established to manage the credit risk of the Bank by determining, measuring, monitoring, evaluating and reporting the risks. In order to improve the asset quality of the Bank, the main roles and responsibilities of the section are composed of performing periodical analyses on credit portfolio trend, calculating credit risk cost based on segments and executing compliance activities between risk management practices with Basel II requirements.

Credit Risk Management is consisting 2 sub units.

Commercial Credit Risk Management is responsible for taking part in the model development processes of PD, EAD, LGD models which are in the scope of IRB communique (issued by BRSA – using internal rating based approach for credit risk calculations) and giving opinions as the ultimate authority, supervising the rating systems, monitoring the performance, analysing the results regularly, ensuring the proper functioning of the rating systems, leading the studies for the areas that need improvement and the deficiencies identified, informing the BRSA about the changes made in the rating systems and the relevant units within the Bank, evaluating model use test, ensuring dissemination of the models in the bank internal processes within the scope requested by the BRSA, managing IRB transition process, providing the documentation requested in this process and monitoring the projects carried out in the Bank within the scope of Basel II for commercial customers. This business unit is also responsible for taking part in the development processes of operational models used in underwriting, monitoring, collection, etc. processes and monitoring their performance. In addition, the department is responsible for developing underwriting / monitoring strategies for corporate customer segments and putting them into practice through decision support systems.

Retail Credit Risk Management is responsible for taking part in the model development processes of PD, EAD, LGD models which are in the scope of IRB communique (issued by BRSA – using internal rating based approach for credit risk calculations) and giving opinions as the ultimate authority, supervising the rating systems, monitoring the performance, analysing the results regularly, ensuring the proper functioning of the rating systems, leading the studies for the areas that need improvement and the deficiencies identified, informing the BRSA about the changes made in the rating systems and the relevant units within the Bank, evaluating model use test, ensuring dissemination of the models in the bank internal processes within the scope requested by the BRSA, managing IRB transition process, providing the documentation requested in this process and monitoring the projects carried out in the Bank within the scope of Basel II for private individual customers. This business unit is responsible for taking part in the development processes of operational models used in underwriting, monitoring, collection, etc. processes and monitoring their performance. In addition, the department is responsible for developing underwriting / monitoring strategies for individual loan products and putting them into practice through decision support systems.

Risk Validation Department, performs the risk validation taking into consideration the statistical tests, Bank's internal procedures and competition analyses in the market. Validation processes consist of 3 main steps; data validation, model validation, strategy and process validation.

Strategic Risk Control is responsible for preparation of credit risk budgeting and credit risk reporting activities of the Bank, calculation of loan loss provisions on SBU basis; identification of the Credit Policy according to risk appetite of the Bank, implementation of the policy throughout the Banks and its subsidiaries, support to all units in the Bank for the related topics.The units establishes a common risk culture on group basis and performs process analyses of credit and risk management functions in subsidiaries to ensure standard risk management practices and establishes action plans for the standardization of all gaps within the group. It ensures taking action for the correction and improvement data quality through performing tests related to credit and collaterals .The unit prepares reports for assessment of credit risk and for the preparation of various and comprehensive concentrations and forecasts on asset quality trends for the Bank, performs necessary calculations to measure the risk profile of the bank and ensures that the country risk is identified. Prepare comprehensive concentration reports for the assessment of Top Management.

The unit is also responsible for definition of the Operational/IT/Reputational risk policies, for the purpose of measurement, evaluation and management of the operational risk/ IT and reputational risks, implementation of monitoring and measurement systems, identification, reporting and monitoring the key risk indicators, and performance of scenario analyses. The unit also carries out the activities regarding Basel II compliance, operational risk weighted assets (RWA); and risk based insurance activities, implementation and monitoring IT Risk Map and Action Plans, coordination of risk management program for the risk evaluation of the support services.

ISEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of the Board of Directors. The report mainly includes the Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

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

Regular supervision and controls are performed to ensure that credit process is carried out in compliance with bank credit policies and procedures, loans are extended in accordance with principles and procedures determined by the Board of Directors and loans are reported properly with the information of maturity, quantity and qualification to top management.

Activities carried out by units within scope of internal systems are employed as a tool to define weak points regarding the credit risk management process, policy and procedures and to determine the transactions that are not compliant with limits, policy and procedures.

Issues that are observed during the examinations is being regularly reported to top management and Audit Committee considering importance level.

Summary of the activities of units within the scope of internal systems are effectively utilized by the management and actions are taken in order to prevent repetition of weaknesses and conflicts regarding credit management.

3.3.1.2. Credit quality of assets

		Gross carrying values of as per TAS			
	Current Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values**
1	Loans	18.274.502	222.836.742	17.322.615	223.788.629
2	Debt Securities	-	55.134.302	89.226	55.045.076
3	Off-balance sheet exposures	1.175.798	162.254.940	926.819	162.503.919
	Total	**19.450.300**	**440.225.984**	**18.338.660**	**441.337.624**

		Gross carrying values of as per TAS			
	Prior Period	**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values**
1	Loans	12.379.857	212.650.945	13.692.652	211.338.150
2	Debt Securities	-	48.451.023	93.362	48.357.661
3	Off-balance sheet exposures	1.079.128	151.004.470	865.369	151.218.229
	Total	**13.458.985**	**412.106.438**	**14.651.383**	**410.914.040**

3.3.1.3 Changes in stock of defaulted loans and debt securities

		Current Period	**Prior Period**
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**13.458.985**	**9.968.426**
2	Loans and debt securities that have defaulted since the last reporting period	11.166.004	8.163.643
3	Returned to non-defaulted status	43.356	59.536
4	Amounts written off	3.412.145	2.505.832
5	Other changes	(1.719.188)	(2.107.716)
	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	**19.450.300**	**13.458.985**

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

3.3.1.4 Additional disclosure related to the credit quality of assets

According to the BRSA Regulation "Regulation on the procedures and principles for the determination of qualification of loans and other receivables by Banks and provision to be set aside" in the cases:

- For which recovery of principal and interest or both delays for more than ninety days from their terms or due dates provided that this is no more than one hundred eighty days or;
- Which have limited means for total recovery because debtors' equity or guarantees extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or;
- For which debtors have suffered deterioration in their creditworthiness and credits have suffered weakness consequently or;
- For which it is believed that recovery by banks of principal or interest or both would delay for more than ninety days from their terms or due dates due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation,

loans and receivables are classified as non performing loans and are transferred to non performing loan accounts. Within the scope of the same regulation, these loans are set aside for the expected credit loss according to the internal models developed by the Bank.

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by bank.

3.3.1.4.1 Exposures provisioned against by major regions(1)

	Current Period	Prior Period
Domestic	305.661.700	289.718.974
USA,Canada	3.628.707	1.848.127
European Union (EU) Countries	4.775.577	4.864.518
OECD Countries	2.257.472	2.442.738
Off-Shore Banking Regions	130	795
Other Countries	2.716.471	2.813.895
Total	**319.040.057**	**301.689.047**

(1) Breakdown of cash, non-cash and non-performing loans with respect to geographical regions are provided.

3.3.1.4.2 Exposures provisioned against by major sectors (1)

	Current Period	Prior Period
Agricultural	**9.034.949**	**6.253.534**
Farming and raising livestock	7.599.560	5.156.687
Forestry	1.114.224	791.809
Fishing	321.165	305.038
Manufacturing	**134.328.052**	**124.940.044**
Mining and Quarrying	1.374.605	1.920.091
Production	89.028.167	80.561.262
Electricity, Gas, Water	43.925.280	42.458.691
Construction	**43.228.417**	**50.761.150**
Services	**57.045.861**	**50.809.723**
Wholesale and retail trade	8.918.800	8.641.160
Hotel, food and beverage services	8.182.195	7.683.497
Transportation and telecommunication	11.461.872	12.052.947
Financial institutions	10.109.069	9.842.157
Real estate and leasing services	7.588.280	2.511.232
Self-employment services	-	-
Education services	588.204	338.336
Health and social services	10.197.441	9.740.394
Other	**75.402.778**	**68.924.596**
Total	**319.040.057**	**301.689.047**

(1) Breakdown of cash loans, non-cash loans and non-performing loans by sectors.

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

3.3.1.4.3 Receivables according to remaining maturities:

Receivables according to remaining maturities are explained Note 7 of Section 4.

3.3.1.4.4 Exposures provisioned against by major sectors:

Information on the amount of receivables and provisions provided for on the sector basis are disclosed in Note 2 of Section 4.

3.3.1.4.5 Exposures provisioned against by major regions :

The distribution of the specific provisions is predominantly domestic and a provision amounting to TL 16.920.001 (December,31 2018- TL 12.202.258) has been set aside for the risk at an amount of TL 11.246.982 (December,31 2018- TL 8.734.513)

3.3.1.4.6 Aging analysis for overdue receivables (1)

	Current Period	Prior Period
31-60 days	1.303.398	1.654.459
61-90 days	843.169	1.143.952
Other	34.158.485	29.707.328
Total	**36.305.052**	**32.505.739**

(1) Overdue receivables represent overdue of cash loans.

3.3.1.4.7 Breakdown of restructured receivables based on whether or not provisions are allocated:

Provisions are recognized for all Non-performing loans in accordance with Provisioning Regulation.

	Current Period	Prior Period
Loans restructured from Loans and other receivables under close monitoring	21.176.593	4.507.426
Loans restructured from Loans under legal follow-up	1.350.926	237.499
Total	**22.527.519**	**4.744.925**

3.3.1.4.8 Informations related to expected credit losses for loans:

	Stage1	Stage2	Stage3	Total
Beginning of the period (1 January 2019)	**1.229.290**	**3.609.060**	**8.854.302**	**13.692.652**
Additions	626.189	958.560	7.410.314	8.995.063
Disposals	483.540	215.113	1.702.977	2.401.630
Sold (-)	-	-	2.568.732	2.568.732
Write offs	-	-	843.413	843.413
Transfer to stage 1	15.052	(14.212)	(840)	-
Transfer to stage 2	(353.697)	392.639	(38.942)	-
Transfer to stage 3	(25.831)	(278.361)	304.192	-
Foreign currency differences	60.007	388.668	-	448.675
End of the period	**1.067.470**	**4.841.241**	**11.413.904**	**17.322.615**

	Stage1	Stage2	Stage3	Total
Beginning of the period (1 January 2018)	**1.775.595**	**594.458**	**7.855.580**	**10.225.634**
Additions	307.347	2.803.355	6.369.614	9.480.316
Disposals	591.109	390.194	2.896.515	3.877.818
Sold (-)	-	-	2.014.893	2.014.893
Write offs	-	-	490.939	490.939
Transfer to stage 1	53.179	(47.419)	(5.760)	-
Transfer to stage 2	(334.860)	386.557	(51.697)	-
Transfer to stage 3	(40.088)	(48.824)	88.912	-
Foreign currency differences	59.226	311.127	-	370.353
End of the period	**1.229.290**	**3.609.060**	**8.854.302**	**13.692.652**

3.3.2 Credit risk mitigation

3.3.2.1 Qualitative disclosure on credit risk mitigation techniques

The Bank employs on-balance sheet netting and/or general netting agreements for specific capital market transactions for credit risk mitigation, with the condition of meeting the requirements of having implemented corresponding system supported methods and processes and clear documentation of the required documents.

The Bank may use assets (e.g. loans) and liabilities (e.g. deposits) as an on balance sheet netting instrument considering them as cash collateral.

The capital requirements may be determined on the base of net exposure of assets and liabilities, if the following conditions are met:

- The agreement should provide the Bank the authorization to monitor the receivable of the payee over a single value after netting all payables and receivables even though there is no such indicator for the counterparty showing bankruptcy or financial difficulty in accordance with the regulations of governments.
- The Bank is provided the authority of netting and monitoring the risk over a single value even the counterparty is not in bankruptcy case of a bankruptcy of one counterparty,the other counterparty should have the authority to terminate all contracts under the agreement
- The agreement should provide the facility to monitor the receivable of the payee over a single value after netting all payables and receivables in case of the termination of all contracts

For calculation of the fully-adjusted amount in determining the capital requirements , the supervisory volatility adjustments approach or own estimates volatility adjustments approach or internal models approach may be used.

In the policies and procedures regarding the assessment and management of the collaterals as part of collateralized lending, Credit risk mitigation techniques aims at:

- Determination of general and specific requirements for the improvement and optimization of collateral systems, processes, strategies and procedures;
- Valuation of collateral taking into consideration the local regulations and procedures;
- Provision of the soundness, legal enforceability and maintenance of ratable collateral based on a legal framework;
- Determination of the level of the collateral haircut taking the local conditions and the process of risk management into consideration;
- Regular monitoring of the collateral value;
- Differentiation between counterparty (economic) and country (political) risk aspects,
- Mitigation of concentration risks, correlation risks and residual risks through recognition of collateral;
- Improvement in the quality of strategic business and overall Bank management
- Clear definition of Roles and Responsibilities
- Determination of acceptable collaterals and collateral related conditions (list of collateral) / (non-parametric condition list)

In the calculations regarding credit risk mitigation, the Bank performs risk mitigation within the regulations set out in the Credit Risk Mitigation Techniques Notification dated September 6, 2014 and numbered 29111 and uses a comprehensive financial guarantee method for its financial collaterals. With the comprehensive financial collateral method, the relevant volatility adjustments specified in the regulation made on the value of the financial collaterals that are used in calculating the capital requirements.

The credit policies establish an operational connection between Bank's activities and its risk capacity and covers the main business areas in accordance with target portfolio structure, risk targets regarding expected and unexpected loss in line with risk capacity and limits relating to risk concentration. Limits are ensured to be compliant with restrictions determined by related regulation and regulatory authorities. Bank uses an integrated approach in concentration risk management, in which all risk concentrations are identified, monitored and evaluated. Therefore, besides the loans to individuals and companies, also the concentrations of market, sector, country and segment are being taken into consideration. Bank pays utmost attention to any concentration of the credit and market risks on a specific counterparty or risk classification in accordance with policies and internal procedures.

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

3.3.2.2 Credit risk mitigation techniques – overview

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	154.691.434	69.097.195	36.857.104	11.903.657	9.616.692	-	-
Debt securities	55.045.076	-	-	-	-	-	-
Total	**209.736.510**	**69.097.195**	**36.857.104**	**11.903.657**	**9.616.692**	**-**	**-**
Of which defaulted	3.415.412	3.445.186	927.053	733.593	371.782	-	-

Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	146.881.022	64.457.128	37.506.118	12.559.374	9.177.350	-	-
Debt securities	48.357.661	-	-	-	-	-	-
Total	**195.238.683**	**64.457.128**	**37.506.118**	**12.559.374**	**9.177.350**	**-**	**-**
Of which defaulted	2.047.013	1.478.542	385.677	199.034	46.465	-	-

3.3.3 Credit risk under standardised approach

3.3.3.1 Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The international risk ratings are used for all the exposures to central governments/central banks, for Financial Institutions, Corporations, Regional Governments, Administrative Bodies and for Multinational Development Banks asset classes of which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated.

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Ratings	Claims on sovereigns and Central Banks	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions		Claims on corporates
				Contractual maturity of claims under 3 months	Contractual maturity of claims over 3 months	
1	AAA AA+ AA AA-	0%	20%	20%	20%	20%
2	A+ A A-	20%	50%	20%	50%	50%
3	BBB+ BBB BBB-	50%	100%	20%	50%	100%
4	BB+ BB BB-	100%	100%	50%	100%	100%
5	B+ B B-	100%	100%	50%	100%	150%
6	CCC+ CCC CCC- CC C D	150%	150%	150%	150%	150%

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

3.3.3.2 Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects

	Current Period	**Exposures before CCF and CRM**		**Exposures post CCF and CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Exposures to central governments or central banks	91.426.756	1.652	101.350.654	228.778	12.348.268	12,16%
2	Exposures to regional governments or local authorities	-	-	-	-	-	0,00%
3	Exposures to public sector entities	53.722	123.222	53.712	49.678	103.390	100,00%
4	Exposures to multilateral development banks	-	21.529	-	10.915	-	0,00%
5	Exposures to institutions	35.396.204	12.265.124	35.460.779	2.486.616	11.977.104	31,56%
6	Exposures to corporates	121.685.788	105.184.606	117.443.002	44.006.942	159.635.668	98,88%
7	Retail exposures	75.284.542	62.019.916	68.154.449	5.984.507	55.604.218	75,00%
8	Exposures secured by residential property	10.587.317	166.939	10.587.317	99.218	3.740.288	35,00%
9	Exposures secured by commercial real estate	12.736.844	2.386.130	12.736.844	1.686.593	7.211.720	50,00%
10	Past-due loans	6.841.923	52.945	6.465.262	31.762	4.986.574	76,75%
11	Higher-risk categories by the Agency Board	18.674	2.046.794	18.605	167.920	278.557	149,34%
12	Exposures in the form of collective investment undertaking	4.997	-	4.997	-	2.602	52,07%
13	Investments in equities	8.309.081	-	8.309.081	-	9.662.467	116,29%
14	Other receivables	13.753.425	-	13.753.425	-	8.755.338	63,66%
	Total	**376.099.273**	**184.268.857**	**374.338.127**	**54.752.929**	**274.306.194**	**63,93%**

	Prior Period	**Exposures before CCF and CRM**		**Exposures post CCF and CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Exposures to central governments or central banks	97.824.620	4.396	106.898.763	371.306	10.779.696	10,05%
2	Exposures to regional governments or local authorities	-	-	-	-	-	0,00%
3	Exposures to public sector entities	89.289	133.970	89.285	54.812	144.097	100,00%
4	Exposures to multilateral development banks	-	19.796	-	10.033	-	0,00%
5	Exposures to institutions	9.886.876	5.802.535	10.036.548	3.013.317	5.832.724	44,70%
6	Exposures to corporates	115.066.308	100.587.739	109.929.988	44.017.505	152.263.063	98,91%
7	Retail exposures	69.490.305	53.028.108	63.832.377	7.289.559	53.341.452	75,00%
8	Exposures secured by residential property	9.514.269	100.901	9.514.269	47.078	3.346.472	35,00%
9	Exposures secured by commercial real estate	17.197.592	2.156.177	17.197.592	1.463.014	9.330.303	50,00%
10	Past-due loans	3.508.678	136.233	3.460.061	82.188	3.078.279	86,90%
11	Higher-risk categories by the Agency Board	16.877	180.839	16.783	84.316	150.361	148,73%
12	Exposures in the form of collective investment undertaking	2.567	-	2.567	-	1.459	56,84%
13	Investments in equities	6.165.790	-	6.165.790	-	6.165.790	100,00%
14	Other receivables	12.589.841	-	12.589.841	-	7.324.856	58,18%
	Total	**341.353.012**	**162.150.694**	**339.733.864**	**56.433.128**	**251.758.552**	**63,55%**

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

3.3.3.3 Standardised approach – exposures by asset classes and risk weights

Current Period

	Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	89.231.165	-	-	-	-	-	12.348.267	-	-	-	-	101.579.432
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	103.390	-	-	-	-	103.390
4	Exposures to multilateral development banks	10.915	-	-	-	-	-	-	-	-	-	-	10.915
5	Exposures to institutions	-	-	29.418.770	-	4.910.718	-	3.577.742	40.165	-	-	-	37.947.395
6	Exposures to corporates	330.804	-	714.368	-	1.823.955	-	158.580.817	-	-	-	-	161.449.944
7	Retail exposures	-	-	-	-	-	74.138.956	-	-	-	-	-	74.138.956
8	Exposures secured by residential property	-	-	-	10.686.535	-	-	-	-	-	-	-	10.686.535
9	Exposures secured by commercial real estate	-	-	-	-	14.423.437	-	-	-	-	-	-	14.423.437
10	Past-due loans	-	-	-	-	3.593.852	-	2.330.218	572.954	-	-	-	6.497.024
11	Higher-risk categories by the Agency Board	-	-	-	-	-	-	2.460	184.065	-	-	-	186.525
12	Investments made in collective investment companies	178	-	2.343	-	683	-	1.793	-	-	-	-	4.997
13	Investments in equities	-	-	-	-	-	-	7.406.824	-	-	902.257	-	8.309.081
14	Other receivables	4.914.021	-	105.082	-	-	-	8.734.322	-	-	-	-	13.753.425
	Total	**94.487.083**	**-**	**30.240.563**	**10.686.535**	**24.752.645**	**74.138.956**	**193.085.833**	**797.184**	**-**	**902.257**	**-**	**429.091.056**

Prior Period

	Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	96.490.372	-	-	-	-	-	10.779.697	-	-	-	-	107.270.069
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	144.097	-	-	-	-	144.097
4	Exposures to multilateral development banks	10.033	-	-	-	-	-	-	-	-	-	-	10.033
5	Exposures to institutions	-	-	6.046.065	-	4.761.382	-	2.241.614	804	-	-	-	13.049.865
6	Exposures to corporates	-	-	470.454	-	2.616.132	-	150.860.907	-	-	-	-	153.947.493
7	Retail exposures	-	-	-	-	-	71.121.936	-	-	-	-	-	71.121.936
8	Exposures secured by residential property	-	-	-	9.561.347	-	-	-	-	-	-	-	9.561.347
9	Exposures secured by commercial real estate	-	-	-	-	18.660.606	-	-	-	-	-	-	18.660.606
10	Past-due loans	-	-	-	-	1.379.225	-	1.711.738	451.286	-	-	-	3.542.249
11	Higher-risk categories by the Agency Board	-	-	-	-	741	-	1.094	99.264	-	-	-	101.099
12	Investments made in collective investment companies	351	-	670	-	442	-	1.104	-	-	-	-	2.567
13	Investments in equities	-	-	-	-	-	-	6.165.790	-	-	-	-	6.165.790
14	Other receivables	5.186.612	-	97.961	-	-	-	7.305.268	-	-	-	-	12.589.841
	Total	**101.687.368**	**-**	**6.615.150**	**9.561.347**	**27.418.528**	**71.121.936**	**179.211.309**	**551.354**	**-**	**-**	**-**	**396.166.992**

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

3.4 Explanation on Counterparty credit risk

3.4.1 Qualitative evaluation for Counterparty Credit Risk

Counterparty Credit Risk (CCR) is organized under Market Risk Management and is functioning within the scope of “Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks”. These functions include counterparty credit risk calculations within general risk appetite and control process of risk management policies for CCR.

Credit limits under CCR are defined within the scope of internal model method, specified in “Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks. -Appendix 2”, considering various stress scenarios.

General policies for collaterals and provisions under credit risk management are also valid for CCR. Exposure and collateral values are calculated on a daily basis. According to CCR Policies, Bank does not carry wrong way risk.

In case of a downgrade in credit note, the amount of additional collateral the Bank has to provide is calculated periodically under several stress scenarios.

3.4.2 Assessment of Counterparty Credit Risk according to the models of measurement

Current Period	Revaluation Cost	Potential credit risk exposure	EEPE[1]	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard Approach-CCR	2.166.338	1.729.316		1,4	3.869.598	2.841.880
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation					-	-
4 Comprehensive Method for Credit Risk Mitigation					644.011	316.058
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
Total						**3.157.938**

Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE[1]	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard Approach-CCR	4.257.469	1.583.452		1,4	5.818.652	4.067.442
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation					-	-
4 Comprehensive Method for Credit Risk Mitigation					534.254	220.723
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
Total						**4.288.165**

(1) Effective expected positive exposure

3.4.3 Credit valuation adjustment (CVA) capital charge

		Current Period		Prior Period	
		Exposure (After credit risk mitigation methods)	**Risk Weighted Amounts**	**Exposure (After credit risk mitigation methods)**	**Risk Weighted Amounts**
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (including 3*multiplier)	-	-	-	-
2	(ii) Stressed Value at Risk (including 3*multiplier)	-	-	-	-
3	All portfolios subject to Standardised CVA capital obligation	3.869.598	1.899.383	6.352.906	2.486.015
	Total amount of CVA capital adequacy	**3.869.598**	**1.899.383**	**6.352.906**	**2.486.015**

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

3.4.4 Standardised approach – CCR exposures by regulatory portfolio and risk weights

Current Period

	Risk Weights/Risk Classes	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit risk(1)
1	Central governments and central banks receivables	11.904	-	-	-	-	-	-	-	21.050	-	-	32.954
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	308.898	86.471	-	607.980	-	1.446.935	-	181.167	-	-	2.631.451
6	Corporate receivables	-	-	-	-	235	-	5.566	-	1.974.314	-	-	1.980.115
7	Retail receivables	-	-	-	-	-	-	-	5.140	-	-	-	5.140
8	Mortgage receivables	-	-	-	-	-	-	259.318	-	-	-	-	259.318
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity investments	-	-	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
	Total	**11.904**	**308.898**	**86.471**	**-**	**608.215**	**-**	**1.711.819**	**5.140**	**2.176.531**	**-**	**-**	**4.908.978**

Prior Period

	Risk Weights/Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit risk(1)
1	Central governments and central banks receivables	-	-	-	-	-	-	5.466	-	-	5.466
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	918.155	-	2.973.644	-	15.183	-	-	3.906.982
6	Corporate receivables	-	-	4.512	-	332	-	2.753.134	-	-	2.757.978
7	Retail receivables	-	-	-	-	-	7.403	-	-	-	7.403
8	Mortgage receivables	-	-	-	-	32.479	-	-	-	-	32.479
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
11	Equity investments	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-
	Total	**-**	**-**	**922.667**	**-**	**3.006.455**	**7.403**	**2.773.783**	**-**	**-**	**6.710.308**

(1) Counterparty credit risk is not included in the table.

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

3.4.5 Composition of collateral for CCR exposure

		Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Current Period	**Collaterals Taken**		**Collaterals Given**		**Collaterals Taken**	**Collaterals Given**
		Segregated	**Unsegregated**	**Segregated**	**Unsegregated**		
1	Cash-domestic currency	-	2.594	-	-	2.936.526	10.703.351
2	Cash-foreign currency	-	17.961	-	-	759.218	-
3	Domestic sovereign debts	-	5.501	-	-	10.709.991	4.197.383
4	Other sovereign debt	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-
	Total	**-**	**26.056**	**-**	**-**	**14.405.735**	**14.900.734**

		Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Prior Period	**Collaterals Taken**		**Collaterals Given**		**Current Period**	**Collaterals Taken**
		Segregated	**Unsegregated**		**Segregated**	**Unsegregated**	
1	Cash-domestic currency	-	6.776	-	-	1.225.346	-
2	Cash-foreign currency	-	14.886	-	-	-	-
3	Domestic sovereign debts	-	595	-	-	-	1.340.700
4	Other sovereign debt	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	12	-	-	-	-
	Total	**-**	**22.269**	**-**	**-**	**1.225.346**	**1.340.700**

3.4.6 Credit derivatives exposures

	Current Period		**Prior Period**	
	Protection Bought	**Protection Sold**	**Protection Bought**	**Protection Sold**
Nominal				
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	12.732.747	-	8.115.956
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
Total Nominal	**-**	**12.732.747**	**-**	**8.115.956**
Rediscount Amount	**-**	**(229.460)**	**-**	**(346.698)**
Positive Rediscount Amount	-	274.073	-	10.579
Negative Rediscount Amount	-	(503.533)	-	(357.277)

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

3.4.7 Exposures to central counterparties

		Current Period		Prior Period	
		Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1	**Exposure to Qualified Central Counterparties (QCCPs) (total)**		**9.637**		**178.931**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)); of which	-	-	-	-
3	(i) OTC Derivatives	112.336	3.976	357.402	178.931
4	(ii) Exchange-traded Derivatives	-	-	-	-
5	(iii) Securities financing transactions	283.033	5.661	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-	-	-	-
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	**Exposures to non-QCCPs (total)**		-		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions) ; of which)	-	-	-	-
13	(i) OTC Derivatives	-	-	-	-
14	(ii) Exchange-traded Derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-	-	-	-
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

3.5. Securitisations

None.

3.6. Explanations on Market Risk

3.6.1 Qualitative disclosure on market risk

Market Risk Management department monitors the interest rate, exchange rate, stock, commodity and credit spread risks arising from the main financial activities of the Bank on a daily basis and measures the probability of loss that may arise from the related risks by using internal model. Risks measured are regularly reported to the business units, their compliance with the Bank's risk appetite is monitored and impacts on capital requirement are analyzed. By taking into account the distinction between banking and trading portfolios, analyses and measurements enable Market Risk Management to determine specific limits on sub-portfolio / product levels.

Market risks that the Bank is exposed to are assessed and managed by a triple structure consisting of Treasury, Financial Planning and Market Risk Management Units. The Board of Directors, the Executive Committee and the Audit Committee have primary responsibility for management of such risks. Both Top management and the sub-units are responsible for managing the risks taking into account constraints and targets such as Bank's interest rate sensitivity, liquidity constraints, funding sources, budget targets, medium and long-term capital planning and profitability of the products in operation.

Models, strategies and processes that are accurate and integrated in accordance with risks the Bank is or may be exposed to have been established. Automated reporting and validation activities are carried out for effective analysis, monitoring and control mechanisms. Risk management infrastructure integrated with day-to-day activities enabling monitor and measurement independently from executive activities; and supports business and decision-making processes has been established. Policies, processes, targets, roles / responsibilities, and regular trainings are the main elements of the Bank's dissemination of risk culture and awareness. Systems and structures compatible with international best practices and in line with the risk appetite are available for risk management.

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

The Bank implements internal policies and procedures that are reviewed and approved at least once a year by the Board of Directors in order to manage market risks arising from on and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

Market Risk Management organization consists of 4 sub-units; Market Risk Analysis, Asset-Liability Management and Affiliates Coordination, Counterparty Credit Risk and Risk Methodologies and Market Data Analysis units.

Market Risk Analysis unit; carry out the activities such as measuring and setting limits for risks arising from banking and trading books using advanced internal methods (Value at Risk, Base Point Value Sensitivity etc.), complying policies and procedures with new regulations and best practices, product-based risk / return analysis, developing risk measurement and valuation techniques and applying stress tests.

Asset Liability Management and Subsidiaries Coordination unit; enables the Bank to measure the liquidity risk, manage the structural interest rate exposure, manage the protection procedures and the protection accounting processes used to reduce the risk of re-pricing. Follows the concentration of the Bank's funding side. Also paves the way for implementation of Bank-side risk applications and risk culture in the Bank's subsidiaries, plays an active role in risk appetite determination and coordination processes.

Counterparty Credit Risk Management Unit calculates the exposures of over the counter (OTC) derivative transactions via internal model method and manages the inclusion of these exposures into the monitoring and the credit underwriting processes.

The Risk Methodologies and Market Data Analysis unit provides unbiased management of all market data related to treasury products under the risk management framework. The unit is responsible for the verification of fair values, and transfer of related data sources to the banking system.

In the course of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policies.

3.6.2 Market risk under standardised approach

		Current Period	Prior Period
		Risk Weighted Asset	**Risk Weighted Asset**
	Outright products	**2.561.805**	**1.995.765**
1	Interest rate risk (general and specific)	1.624.256	1.200.683
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	937.549	795.082
4	Commodity risk	-	-
	Options	**20.150**	**41.275**
5	Simplified approach	-	-
6	Delta-plus method	20.150	41.275
7	Scenario approach	-	-
8	Securitisation	-	-
9	**Total**	**2.581.955**	**2.037.040**

3.7. Explanations on Operational Risk:

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2018, 2017 and 2016 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 29511 dated October 23, 2015, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2019, the total amount subject to operational risk is TL 24.479.544 (December 31, 2018 - TL 19.297.169) and the amount of the related capital requirement is TL 1.958.364 (December 31, 2018 - TL 1.543.773).

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

Current Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for	Rate (%)	Total
Gross Income	10.624.908	11.623.339	16.919.024	13.055.757	15,00%	1.958.364
Amount subject to operational risk (Total*12,5)						**24.479.544**

Prior Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for	Rate (%)	Total
Gross Income	8.627.223	10.624.908	11.623.339	10.291.823	15,00%	1.543.773
Amount subject to operational risk (Total*12,5)						**19.297.169**

3.8 Banking book interest rate risk

Interest rate risk means that the financial structure of the Bank is adversely affected by negative movements in interest rates. Changes in interest rates affect the Bank's earnings by changing the level of net interest incomes, other interest sensitive incomes and operating expenses. The change in interest rates also affects the underlying values of the Bank's assets for active, passive and off-balance sheet items by changing the economic values of future cash flows (and in some cases, the cash flows themselves).

Interest rate risk has three main reasons:

- Revaluation Risk: It is caused by the inconsistency in revaluation of active and passive items.
- Yield Curve Risk: It results from the variation of the curve and shape of the yield curve.
- Basis Risk: It's due to the low correlation of the earned and paid interest yields of different financial instruments with peer revaluation structure.

The customer's prepayment risk (option risk) is indirectly taken into account in managing and following the interest rate risk by following a specific risk protection rate.

Within the scope of the interest rate risk arising from banking accounts, the core deposit analysis for demand deposits is carried out according to the maximum maturity structure of the same regulation. In core deposit analysis, it is possible to distribute demand deposits up to 3 times using behavioral models updated once a year. In addition, Consumer Price İndex bonds model and early payment model in some consumer loans are also considered in the calculation of interest rate risk.

Interest rate risk is monitored daily through internal reports and reports made to the Executive Board on a monthly basis.

In accordance with the "Regulation on Measurement and Evaluation of the Interest Rate on Banking Accounts by Standard Shock Method", the economic value differences arising from fluctuations in interest rates are stated in the table below as of December 31, 2019, based on the significant currencies of the Bank.

		Current Period		Prior Period	
Currency	**Applied shock (+/- x basis points)**	**Gains/Losses**	**Gains/SE-Losses/SE**	**Gains/Losses**	**Gains/SE-Losses/SE**
TRY	(+)500 bp	(2.779.791)	(5,09) %	(2.066.411)	(4,59) %
TRY	(-)400 bp	2.547.494	4,67%	1.918.554	4,26%
EUR	(+)200 bp	(88.345)	(0,16) %	(97.759)	(0,22) %
EUR	(-)200 bp	107.025	0,20%	110.571	0,25%
USD	(+)200 bp	(126.269)	(0,23) %	(172.203)	(0,38) %
USD	(-)200 bp	417.118	0,76%	7.013	0,02%
Total (For negative shocks)		**3.071.637**	**5,63%**	**2.036.137**	**4,52%**
Total (For positive shocks)		**(2.994.405)**	**(5,49) %**	**(1.991.967)**	**(4,43) %**

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

4. Explanations on currency risk

The difference between the Bank's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Bank keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note 8.

The Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five work days prior to that date are as follows:

(Exchange rates presented as full TL)	USD	EUR
Balance sheet evaluation rate:	**5,9402**	**6,6506**
First day current bid rate	5,9370	6,6117
Second day current bid rate	5,9302	6,5759
Third day current bid rate	5,9293	6,5755
Fourth day current bid rate	5,9364	6,5773
Fifth day current bid rate	5,9291	6,5714
Arithmetic average of the last 31 days:	**5,8357**	**6,4814**
Balance sheet evaluation rate as of prior period:	**5,2609**	**6,0280**

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

Information related to financial position of the Bank

Current Period	**EUR**	**USD**	**OTHER FC[(4)]**	**Total**
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	16.873.674	19.739.630	2.248.183	38.861.487
Banks	411.155	18.741.598	90.049	19.242.802
Financial assets at fair value through profit or loss	8.693	333.907	-	342.600
Money market placements	-	-	-	-
Available-for-sale financial assets	686.847	3.237.174	46.157	3.970.178
Loans [(1)]	41.100.915	44.704.537	1.509.736	87.315.188
Investments in associates, subsidiaries and joint ventures	3.007.687	321.709	902.257	4.231.653
Held-to-maturity investments	342.891	9.992.143	1	10.335.035
Hedging derivative financial assets	-	42.439	-	42.439
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets[(2)]	4.637.075	5.490.291	510.809	10.638.175
Total assets	**67.068.937**	**102.603.428**	**5.307.192**	**174.979.557**
Liabilities				
Bank deposits	1.213.372	314.210	137.217	1.664.799
Foreign currency deposits	37.414.519	75.072.186	5.469.775	117.956.480
Funds from money market	759.218	-	-	759.218
Funds borrowed from other financial institutions	12.824.000	24.782.347	29.060	37.635.407
Marketable securities issued	66.945	14.724.554	1	14.791.500
Miscellaneous payables	583.361	661.409	34.987	1.279.757
Hedging derivative financial liabilities	96.229	215.747	-	311.976
Other liabilities[(3)]	601.187	31.255.376	8.551	31.865.114
Total liabilities	**53.558.831**	**147.025.829**	**5.679.591**	**206.264.251**
Net on-balance sheet position	**13.510.106**	**(44.422.401)**	**(372.399)**	**(31.284.694)**
Net off-balance sheet position[(5)]	**(13.461.636)**	**44.487.861**	**1.281.130**	**32.307.355**
Financial derivative assets	20.046.124	67.176.852	2.642.792	89.865.768
Financial derivative liabilities	33.507.760	22.688.991	1.361.662	57.558.413
Net Position	**48.470**	**65.460**	**908.731**	**1.022.661**
Non-cash loans	**33.196.485**	**25.624.976**	**4.269.490**	**63.090.951**
Prior Period				
Total assets	69.213.666	80.458.736	7.423.155	157.095.557
Total liabilities	61.887.798	122.175.481	3.272.088	187.335.367
Net on-balance sheet position	**7.325.868**	**(41.716.745)**	**4.151.067**	**(30.239.810)**
Net off-balance sheet position	**(7.177.243)**	**40.728.929**	**(3.023.854)**	**30.527.832**
Financial derivative assets	12.305.916	65.659.836	1.863.964	79.829.716
Financial derivative liabilities	19.483.159	24.930.907	4.887.818	49.301.884
Net Position	**148.625**	**(987.816)**	**1.127.213**	**288.022**
Non-cash loans	**29.626.544**	**25.789.992**	**4.436.429**	**59.852.965**

(1) Includes FX indexed loans amounting to TL 1.147.274 (December 31, 2018 – TL 4.356.033) which have been disclosed as TL in the financial statements.
(2) Does not include foreign currency prepaid expenses amounting to TL 317.316 (December 31, 2018 - TL 289.322).
(3) Does not include foreign currency other comprehensive income and expense under equity.
(4) Other FC column includes also gold balance.
(5) Forward transactions classified as commitments are also included.

Currency risk sensitivity analysis:

The table below represents the sensitivity of the Bank to 15% change of currency exchange rates (USD and EUR).

15% change is the assumption of parity change that may be faced according to the Bank's stress test scenarios.

	Current Period	**Prior Period**
Change in currency exchange rates	**Profit/loss effect [(1)]**	**Profit/loss effect [(1)]**
(+)15%	(148.104)	(154.786)
(-)15%	148.104	154.786

(1) Including tax effect.

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

5. Explanations on interest rate risk

The monitoring of interest rate sensitive assets and liabilities, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The Bank utilizes TL/foreign currency and TL/TL interest rate and money swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the balance sheet.

5.1. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	19.154.114	-	-	-	-	22.195.862	41.349.976
Banks	9.576.848	641.829	-	-	-	12.320.588	22.539.265
Financial assets at fair value through profit/loss	-	162	4.536	13.874	75.296	473.536	567.404
Receivables from money markets	10.703.351	-	-	-	-	-	10.703.351
Financial assets at fair value through other comprehensive income	2.677.987	5.877.816	9.044.577	6.875.211	2.202.096	13.619	26.691.306
Loans(1)	31.787.228	29.853.370	71.526.932	77.677.597	11.991.615	951.887	223.788.629
Financial assets measured at amortised cost	6.053.199	3.806.311	5.017.522	2.642.601	10.786.026	-	28.305.659
Other assets	987.590	1.258.330	1.013.870	1.212.276	276.361	28.801.810	33.550.237
Total assets	**80.940.317**	**41.437.818**	**86.607.437**	**88.421.559**	**25.331.394**	**64.757.302**	**387.495.827**
Liabilities							
Bank deposits	3.755.966	54.503	2.129	-	-	1.348.857	5.161.455
Other deposits	133.518.058	27.806.700	7.224.633	78.406	611	49.000.255	217.628.663
Funds from money market	2.936.525	2	759.217	-	-	-	3.695.744
Miscellaneous payables	-	-	-	-	-	14.228.037	14.228.037
Marketable securities issued	2.956.966	9.456.142	8.290.583	-	-	-	20.703.691
Funds borrowed from other financial institutions	4.798.052	22.673.504	9.487.488	621.382	530.116	-	38.110.542
Other liabilities(2)	4.825.511	13.823.169	851.080	14.682.728	5.557.694	48.227.513	87.967.695
Total liabilities	**152.791.078**	**73.814.020**	**26.615.130**	**15.382.516**	**6.088.421**	**112.804.662**	**387.495.827**
Balance sheet long position	**-**	**-**	**59.992.307**	**73.039.043**	**19.242.973**	**-**	**152.274.323**
Balance sheet short position	**(71.850.761)**	**(32.376.202)**	**-**	**-**	**-**	**(48.047.360)**	**(152.274.323)**
Off-balance sheet long position	14.504.688	36.048.200	-	-	-	-	50.552.888
Off-balance sheet short position	-	-	(5.106.966)	(39.018.130)	(5.444.705)	-	(49.569.801)
Total position	**(57.346.073)**	**3.671.998**	**54.885.341**	**34.020.913**	**13.798.268**	**(48.047.360)**	**983.087**

Prior Period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	26.903.271	-	-	-	-	28.611.623	55.514.894
Banks	72.597	334.791	320.648	-	-	950.248	1.678.284
Financial assets at fair value through profit/loss	-	5	937	14.744	52.657	173.088	241.431
Money market placements	12.056	84.708	20.205	-	-	-	116.969
Available-for-sale financial assets	2.944.901	5.343.549	8.526.942	6.659.334	3.175.156	10.617	26.660.499
Loans	36.667.095	31.771.753	71.788.308	62.358.889	10.064.900	(1.312.796)	211.338.149
Held-to-maturity investments	4.328.097	2.469.932	2.236.900	2.938.946	9.701.291	-	21.675.166
Other assets	1.073.753	2.468.015	1.743.980	3.275.427	454.012	21.803.012	30.818.199
Total assets	**72.001.770**	**42.472.753**	**84.637.920**	**75.247.340**	**23.448.016**	**50.235.792**	**348.043.591**
Liabilities							
Bank deposits	8.642.037	4.154	6.267	-	-	1.085.962	9.738.420
Other deposits	115.559.033	35.590.995	8.969.594	108.694	-	32.582.400	192.810.716
Funds from money market	329.979	271.280	944.362	-	-	-	1.545.621
Miscellaneous payables	-	-	-	-	-	14.305.691	14.305.691
Marketable securities issued	385.241	602.460	2.982.525	9.870.672	2.544.114	-	16.385.012
Funds borrowed from other financial institutions	8.427.274	23.637.947	3.970.517	653.212	660.388	-	37.349.338
Other liabilities(2)	1.708.681	17.378.150	7.180.142	1.932.994	604.114	47.104.712	75.908.793
Total liabilities	**135.052.245**	**77.484.986**	**24.053.407**	**12.565.572**	**3.808.616**	**95.078.765**	**348.043.591**
Balance sheet long position	**-**	**-**	**60.584.513**	**62.681.768**	**19.639.400**	**-**	**142.905.681**
Balance sheet short position	**(63.050.476)**	**(35.012.233)**	**-**	**-**	**-**	**(44.842.972)**	**(142.905.681)**
Off-balance sheet long position	13.214.753	31.877.973	-	-	-	-	45.092.726
Off-balance sheet short position	-	-	(3.718.292)	(33.981.986)	(7.726.791)	-	(45.427.069)
Total position	**(49.835.723)**	**(3.134.260)**	**56.866.221**	**28.699.782**	**11.912.609**	**(44.842.972)**	**(334.343)**

(1) Non-performing loans are shown in net Non-Interest Bearing loss column after being offset by expected loss provisions.
(2) Shareholders' equity is presented under "Non interest bearing".

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

Average interest rates for monetary financial instruments:

The following average interest rates are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	10,00
Banks	0,10	1,72	-	11,29
Financial assets at fair value through profit or loss	3,38	5,96	-	15,71
Receivables from money markets	-	-	-	9,72
Financial assets at fair value through other comprehensive income	3,34	5,37	-	13,33
Loans	4,79	7,06	5,15	16,83
Financial assets measured at amortised cost	5,25	5,58	-	13,46
Liabilities(1)				
Bank deposits	-	1,80	-	11,31
Other deposits	0,57	2,18	0,30	10,96
Funds from money market	1,90	-	-	9,34
Miscellaneous payables	-	-	-	-
Marketable securities issued	5,00	6,01	-	11,74
Funds borrowed from other financial institutions	1,91	3,98	2,64	11,58

Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets(1)				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	2,00	-	17,58
Banks	1,51	-	-	23,90
Financial assets at fair value through profit/loss	4,13	6,18	-	13,49
Money market placements	0,01	-	-	27,00
Available-for-sale financial assets	4,10	5,46	-	18,61
Loans	4,94	7,55	5,15	19,26
Held-to-maturity investments	5,25	5,44	-	18,23
Liabilities(1)				
Bank deposits	0,95	2,50	-	24,46
Other deposits	2,00	4,41	1,85	22,13
Funds from money market	0,10	4,46	-	22,79
Miscellaneous payables	-	-	-	-
Marketable securities issued	3,66	5,38	-	19,19
Funds borrowed from other financial institutions	1,74	4,36	2,64	12,90

(1) Does not include demand/non-interest transactions.

6. Explanation on share certificates position risk from banking book:

None.

7. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or bank to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored before the Bank under Treasury Management, Risk Management and Capital Management. The liquidity policy of the Bank is approved by the Bank's Board of Directors. Treasury Management is responsible for carrying out transactions which are appropriate to Bank's policy, monitoring of liquidity position and submitting necessary reports to executives. Capital management contributes to determine strategies and operating actions for the management of the liquidity position in addition to prepare funding plan and contingency plan of the Bank in cooperation with Treasury Management. Liquidity risk is evaluated with liquidity gap analysis, liquidity stress tests and supplementary precautions/measurements. Liquidity Gap analysis are performed for two different periods as short-term and long-term. Going concern scenario and structural positions are reported monthly. This reporting constitutes the basis of monitoring and management of liquidity position.

The Bank does not function as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

The Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in the Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all currencies for each period.

The Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. Liquidity Stress Test methodology makes a similar approach with LCR template and hence allows the overview of the results in line with Basel approaches. The Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on solo and consolidated level and the results are compared with limit and trigger levels set, with different frequencies (weekly, monthly etc.) according to the scenarios.

"Liquidity Contingency Plan" is applied if the Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan. Both the liquidity policy and liquidity contingency policy are in line with UniCredit group policies and BRSA best practice documents on liquidity risk management. The abovementioned policies and the thresholds (limits etc.) covered within liquidity risk management framework are updated and approved at least annually.

Funding sources of the Bank mainly consist of deposits which constitute 57% (31 December 2018, 58%) of total liabilities of the Bank and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Bank calculates and reports the Liquidity Coverage Ratio (LCO) in full compliance with the regulations. LKO is a metric measuring the adequacy of unencumbered free liquid assets owned by banks (called high quality liquid assets) to meet expected net cash outflows over the next 30 days. The metric is an important Basel regulation that measures short-term liquidity and is closely monitored in the Bank. In addition to the Bank LCO, the Net Stable Funding Rate (NSFR), which is considered another complementary element and provides another important medium / long-term liquidity risk measurement, has also begun internally. These two metrics are also included within the Risk Appetite Indicators and closely monitored at the Bank.

High quality liquid assets mentioned in LCR calculation consist of cash, effective money, Central Bank of the Republic of Turkey ("CBRT") accounts and reserves and debt instruments issued by Treasury of the Republic of Turkey treated as high quality liquid assets.

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

Cash outflows from derivative transactions in liquidity coverage ratio calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in liquidity coverage ratio calculation by taking the largest outflow amount according to the negative values of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

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

The Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework. All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables below.

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below.

	Unweighted Amounts		**Weighted Amounts**	
Current Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			87.314.792	44.183.227
Cash Outflows				
Retail and Small Business Customers Deposits	**131.862.269**	**65.399.524**	**11.715.273**	**6.539.873**
Stable deposits	29.419.077	1.580	1.470.954	79
Less stable deposits	102.443.192	65.397.944	10.244.319	6.539.794
Unsecured Funding other than Retail and Small Business Customers Deposits	**84.797.664**	**45.707.458**	**46.175.698**	**22.610.669**
Operational deposits	-	-	-	-
Non-Operational deposits	65.757.266	40.652.351	30.452.955	17.555.562
Other Unsecured funding	19.040.398	5.055.107	15.722.743	5.055.107
Secured funding			**20.009**	**20.009**
Other Cash Outflows	**2.157.263**	**2.440.182**	**2.157.263**	**2.440.182**
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.157.263	2.440.182	2.157.263	2.440.182
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	**98.601.248**	**68.092.124**	**4.930.062**	**3.404.606**
Other irrevocable or conditionally revocable commitments	**78.737.558**	**15.373.161**	**7.964.396**	**3.411.410**
Total Cash Outflows			**72.962.701**	**38.426.749**
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	31.994.080	17.426.365	25.383.450	16.332.196
Other contractual cash inflows	662.477	28.938.576	662.477	28.938.576
Total Cash Inflows	**32.656.557**	**46.364.941**	**26.045.927**	**45.270.772**
			Capped Amounts	
Total High Quality Liquid Assets			**87.314.792**	**44.183.227**
Total Net Cash Outflows			**46.916.774**	**9.606.688**
Liquidity Coverage Ratio (%)			**186,11**	**459,92**

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below dated 2019.

Current Period	**Minimum FC (%)**	**Minimum TL+FC (%)**	**Maximum FC (%)**	**Maximum TL+FC (%)**
Week	October 11, 2019	November 1, 2019	November 29, 2019	December 20, 2019
Ratio(%)	385,94	165,84	539,87	212,23

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

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below dated 2018.

	Unweighted Amounts		**Weighted Amounts**	
Prior Period	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets				
High Quality Liquid Assets			72.392.428	44.593.256
Cash Outflows				
Retail and Small Business Customers Deposits	**111.945.349**	**51.036.896**	**10.038.207**	**5.103.632**
Stable deposits	23.126.545	1.158	1.156.327	58
Less stable deposits	88.818.804	51.035.738	8.881.880	5.103.574
Unsecured Funding other than Retail and Small Business Customers Deposits	**87.039.745**	**54.837.819**	**46.957.486**	**27.383.101**
Operational deposits	-	-	-	-
Non-Operational deposits	70.857.568	49.033.183	33.530.965	21.579.694
Other Unsecured funding	16.182.177	5.804.636	13.426.521	5.803.407
Secured funding			**485**	**-**
Other Cash Outflows	**9.071.742**	**16.537.600**	**9.071.742**	**16.537.600**
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	9.071.742	16.537.600	9.071.742	16.537.600
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	**95.720.421**	**67.936.019**	**4.786.021**	**3.396.801**
Other irrevocable or conditionally revocable commitments	**73.902.568**	**16.619.971**	**5.624.618**	**1.125.834**
Total Cash Outflows			**76.478.559**	**53.546.968**
Cash Inflows				
Secured Lending Transactions	-	-	330	-
Unsecured Lending Transactions	29.409.456	13.804.088	21.351.503	12.485.019
Other Contractual Cash Inflows	1.737.760	18.247.273	1.737.760	18.247.273
Total Cash Inflows	**31.147.216**	**32.051.361**	**23.089.593**	**30.732.292**
			Capped Amounts	
Total High Quality Liquid Assets			**72.392.428**	**44.593.256**
Total Net Cash Outflows			**53.388.966**	**22.814.676**
Liquidity Coverage Ratio (%)			**135,59**	**195,46**

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below.

Prior Period	**Minimum FC (%)**	**Minimum TL+FC (%)**	**Maximum FC (%)**	**Maximum TL+FC (%)**
Week	December 21, 2018	October 5, 2018	October 12,2018	December 21,2018
Ratio(%)	159,71	122,64	228,13	148,69

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

Breakdown of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	27.062.138	14.287.838	-	-	-	-	-	41.349.976
Banks	12.320.588	9.576.848	641.829	-	-	-	-	22.539.265
Financial assets at fair value through profit or loss	4.997	-	162	4.536	13.874	75.296	468.539	567.404
Receivables from money markets	-	10.703.351	-	-	-	-	-	10.703.351
Financial assets at fair value through other comprehensive income	-	485.765	361.500	3.825.147	16.930.438	5.074.837	13.619	26.691.306
Loans (1)	-	31.934.810	22.761.939	56.277.573	90.969.775	20.892.645	951.887	223.788.629
Financial assets measured at amortised cost	-	232.075	619.390	1.376.020	10.801.376	15.276.798	-	28.305.659
Other assets	3.889.059	564.621	718.421	901.569	1.610.098	953.718	24.912.751	33.550.237
Total assets	**43.276.782**	**67.785.308**	**25.103.241**	**62.384.845**	**120.325.561**	**42.273.294**	**26.346.796**	**387.495.827**
Liabilities								
Bank deposits	1.348.857	3.755.966	54.503	2.129	-	-	-	5.161.455
Other deposits	49.000.255	132.915.658	27.816.709	7.809.270	86.160	611	-	217.628.663
Funds borrowed from other financial institutions	-	2.196.049	2.450.113	26.450.637	4.500.390	2.513.353	-	38.110.542
Funds from money market	-	2.936.476	2	759.266	-	-	-	3.695.744
Marketable securities issued	-	2.956.966	2.838.364	1.645.686	13.195.730	66.945	-	20.703.691
Miscellaneous payables	1.331.380	12.461.676	108.417	-	-	-	326.564	14.228.037
Other liabilities (2)	2.578.182	303.965	1.548.567	1.924.245	26.917.561	11.293.201	43.401.974	87.967.695
Total liabilities	**54.258.674**	**157.526.756**	**34.816.675**	**38.591.233**	**44.699.841**	**13.874.110**	**43.728.538**	**387.495.827**
Net liquidity gap	**(10.981.892)**	**(89.741.448)**	**(9.713.434)**	**23.793.612**	**75.625.720**	**28.399.184**	**(17.381.742)**	**-**
Net Off-Balance Sheet Position	**-**	**(167.979)**	**71.764**	**207.735**	**23.259**	**848.308**	**-**	**983.087**
Derivative Financial Assets	-	45.149.409	38.039.998	31.522.469	69.498.938	39.707.893	-	223.918.707
Derivative Financial Liabilities	-	45.317.388	37.968.234	31.314.734	69.475.679	38.859.585	-	222.935.620
Non-Cash Loans	**-**	**2.407.611**	**11.890.301**	**31.273.180**	**15.494.693**	**5.010.047**	**24.038.885**	**90.114.717**
Prior Period								
Total assets	39.262.228	58.235.064	23.639.327	57.105.381	109.220.928	43.582.064	16.998.599	348.043.591
Total liabilities	38.478.411	142.940.821	50.908.751	41.220.273	23.116.127	10.070.939	41.308.269	348.043.591
Liquidity gap	**783.817**	**(84.705.757)**	**(27.269.424)**	**15.885.108**	**86.104.801**	**33.511.125**	**(24.309.670)**	**-**
Net Off-Balance Sheet Position	**-**	**(981.348)**	**244.910**	**111.583**	**(381.692)**	**672.204**	**-**	**(334.343)**
Derivative Financial Assets	-	48.324.941	19.341.213	30.332.176	66.778.737	35.775.386	-	200.552.453
Derivative Financial Liabilities	-	49.306.289	19.096.303	30.220.593	67.160.429	35.103.182	-	200.886.796
Non-Cash Loans	**-**	**3.265.182**	**8.392.810**	**29.287.149**	**13.692.780**	**6.209.335**	**25.427.495**	**86.274.751**

(1) Non-performing loans are presented in the "Unclassified" column after being offset against expected loss provisions.
(2) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

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

Breakdown of financial liabilities according to their remaining contractual maturities:

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

Current Period[1]	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	187.741.149	28.210.593	8.175.899	97.527	611	224.225.779
Borrowings	2.248.895	2.779.100	27.978.802	7.853.658	5.427.513	46.287.968
Funds from money market	2.942.343	3	763.556	-	-	3.705.902
Subordinated debts	298.587	208.129	997.530	19.510.304	4.647.788	25.662.338
Marketable securities issued (Net)	2.958.567	2.860.418	1.656.234	14.013.214	378.337	21.866.770
Total	**196.189.541**	**34.058.243**	**39.572.021**	**41.474.703**	**10.454.249**	**321.748.757**

Prior Period[1]	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	159.114.829	36.578.806	9.723.659	123.417	-	205.540.711
Borrowings	4.154.759	3.926.742	21.373.612	9.487.187	5.832.770	44.775.070
Funds from money market	330.148	271.521	964.923	-	-	1.566.592
Subordinated debts	-	204.319	622.570	13.598.201	3.189.421	17.614.511
Marketable securities issued (Net)	391.220	1.045.085	2.986.468	10.289.364	2.695.102	17.407.239
Total	**163.990.956**	**42.026.473**	**35.671.232**	**33.498.169**	**11.717.293**	**286.904.123**

(1) Maturities of non-cash loans are described in Note 3 of Section 5.

8. Explanations on leverage ratio:

The main reason for increase in leverage ratio for the current period is the increase in Tier 1 capital.

	Current Period[1]	Prior Period[1]
On-Balance sheet exposures		
On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	377.398.089	348.184.348
(Asset amounts deducted in determining Tier 1 capital)	(3.641.674)	(5.381.813)
Total on-Balance sheet exposures	373.756.415	342.802.535
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	2.000.636	2.590.381
Potential credit risk of derivative financial instruments and credit derivatives	1.786.720	5.020.774
Total derivative financial instruments and credit derivatives exposure	3.787.356	7.611.155
Securities financing transaction exposure		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	448.597	470.170
Agent transaction exposures	-	-
Total securities financing transaction exposures	448.597	470.170
Off-balance sheet items		
Off-balance sheet exposure at gross notional amount	204.603.371	194.678.927
(Adjustments for conversion to credit equivalent amounts)	(19.705.782)	(15.539.409)
Total risk of off-balance sheet items	184.897.589	179.139.518
Capital and total exposure		
Tier 1 capital	44.447.710	34.624.399
Total exposures	562.889.957	530.023.378
Leverage ratio (%)	**7,91**	**6,55**

(1) The arithmetic average of the last three months in the related periods.

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

9. Explanations on the presentation of financial assets and liabilities at fair values:

The following table summarizes the carrying values and fair values of some financial assets and liabilities of the Bank. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Book Value		Fair value	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Financial Assets	**329.350.825**	**275.161.720**	**343.767.971**	**275.396.199**
Due from money market	10.703.351	116.969	10.703.351	116.969
Banks	22.539.265	1.678.284	22.534.263	1.676.454
Financial assets at fair value through other comprehensive income	26.691.306	26.660.499	26.691.306	26.660.499
Financial assets measured at amortised cost	28.305.659	21.675.166	27.672.853	19.172.951
Loans	241.111.244	225.030.802	256.166.198	227.769.326
Financial Liabilities	**327.597.032**	**292.111.734**	**329.588.486**	**291.550.197**
Bank deposits	5.161.455	9.738.420	5.163.238	9.738.608
Other deposits	217.628.663	192.810.716	217.527.357	192.769.144
Borrowings	38.110.542	37.349.338	37.880.475	36.868.032
Subordinated debts	13.184.605	7.965.404	13.184.605	7.965.404
Marketable securities issued	18.580.039	13.557.153	20.399.518	13.596.916
Miscellaneous payables	20.703.691	16.385.012	21.205.256	16.306.402
Financial Assets	14.228.037	14.305.691	14.228.037	14.305.691

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

TFRS 13, "Fair Value Measurement", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

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

According to these classification principles stated, the Bank's classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets where fair value change is reflected to income statement	98.867	269.484	199.053	567.404
Financial assets where fair value change is reflected to other comprehensive income statement	24.633.459	2.044.228	-	26.677.687
Derivative financial assets	-	4.748.427	-	4.748.427
Total assets	**24.732.326**	**7.062.139**	**199.053**	**31.993.518**
Financial liabilities at fair value through profit or loss	-	13.184.605	-	13.184.605
Derivative financial liabilities	-	7.076.433	-	7.076.433
Total liabilities	**-**	**20.261.038**	**-**	**20.261.038**

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets where fair value change is reflected to income statement	70.909	170.522	-	241.431
Financial assets where fair value change is reflected to other comprehensive income statement	24.818.452	1.831.430	-	26.649.882
Derivative financial assets	-	8.960.120	-	8.960.120
Total assets	**24.889.361**	**10.962.072**	**-**	**35.851.433**
Financial liabilities at fair value through profit or loss	-	7.965.404	-	7.965.404
Derivative financial liabilities	-	7.281.305	-	7.281.305
Total liabilities	**-**	**15.246.709**	**-**	**15.246.709**

The Bank classify its buildings carried at their fair value within property and equipment under level 3.

10. Explanations on hedge accounting:

The Bank applies the following hedge accounting models: Fair Value Hedge ("FVH") and Cash Flow Hedge ("CFH").

If the fair value of the hedging instrument within fair value hedge ("FVH") is positive it is classified under, "Derivative financial assets at fair value through profit or loss"; if the fair value is negative, it is classified under "Derivative financial liabilities at fair value through profit or loss".

If the fair value of the hedging instrument under hedge of cash flow hedge ("CFH") is positive, it is classified under "Derivative financial assets at fair value through other comprehensive income" if the fair value is negative, it is classified under " Derivative financial liabilities at fair value through other comprehensive income ".

Interest rate swap and cross currency interest rate swap are used as hedging instrument in FVH and interest rate swap, currency swap and cross currency interest rate swap are used as hedging instrument in CFH. Contractual amounts and the fair values as at December 31, 2019 of these hedging instruments are presented in the table below:

	Current Period			Prior Period		
	Notional(1)	**Asset**	**Liability**	**Notional(1)**	**Asset**	**Liability**
Hedging instrument						
Interest rate swap / Currency swap / Cross currency interest rate swap (CFH)	49.943.888	297.126	2.891.167	46.404.018	3.169.086	611.406
Interest rate swap / Cross currency interest rate swap (FVH)	1.853.799	1.690	316.376	1.860.610	-	313.994
Total	**51.797.687**	**298.816**	**3.207.543**	**48.264.628**	**3.169.086**	**925.400**

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 51.195.946 (December 31, 2018 – TL 48.175.851) the total notional of derivative financial assets amounting to TL 102.993.633 (December 31, 2018 – TL 96.440.479) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

The fair valuation methodology of the derivatives presented in the above table is disclosed in the accounting principles section of these financial statements in Section 3, Part 4.

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

10.1. Fair value hedge accounting:

Starting from March 1, 2009, the Bank has hedged the possible fair value effects of changes in market interest rates on some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using interest rate swap, cross-currency interest rate swap. Starting from July 28, 2015, the Bank has hedged the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using cross-currency interest rate swaps. The Bank selected to apply macro FVH accounting for such relationship in accordance with "TAS – 39 Financial Instruments: Recognition and Measurement".

The impact of application of FVH accounting is summarized below:

Current Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Fair value difference / adjustment of the hedged item(1)**	**Net fair value of the hedging instrument(2)**		**Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses)(3)**
				Asset	**Liability**	
Interest rate swap / Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	24.529	1.690	316.376	(19.636)

Prior Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Fair value difference / adjustment of the hedged item(1)**	**Net fair value of the hedging instrument(2)**		**Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses)(3)**
				Asset	**Liability**	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	44.165	-	313.994	20.740

(1) The amount refers to the fair value of the hedged item calculated for Some of fixed interest loan portfolios, foreign currency funds and marketable securities in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.
(2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.
(3) The ineffective portion of the mentioned hedging transaction is TL 5.896 gain (December 31, 2018- TL 31.652 gain).

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis and the effectiveness of risk relationships are measured. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

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

10.2. Cash flow hedge accounting:

The Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Net fair value of the hedging instrument**		**Net gain/(loss) recognized in hedging funds(1)**	**Net gain/(loss) reclassified to equity(2)(3)**
			Asset	**Liability**		
Interest rate swap / Currency swap / Cross currency interest rate swap	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	297.126	2.891.167	(1.462.792)	(3.206.096)

Prior Period						
Type of hedging instrument	**Hedged item (asset and liability)**	**Nature of hedged risks**	**Net fair value of the hedging instrument**		**Net gain/(loss) recognized in hedging funds(1)**	**Net gain/(loss) reclassified to equity(2)(3)**
			Asset	**Liability**		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	3.169.086	611.406	1.743.304	906.613

(1) Includes deferred tax impact.
(2) Includes tax and foreign exchange differences.
(3) The ineffective portion of the mentioned hedging transaction is TL 422.890 gain (December 31, 2018 – TL 41.508 gain).

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with "TAS – 39 Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with "TAS – 39 Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the CFH accounting requirements (out of the effectiveness range 80%-125%) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

10.3. Net Investment Hedge:

The Bank hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Bank's EURO denominated borrowing is designated as a hedge of the net investment in the Bank's certain EURO denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 30, 2019 is EUR 452 million (December 31, 2018 is EUR 430 million).

11. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. The Bank has no fiduciary transactions.

12. Explanations on operating segments:

The Bank carries out its banking operations through two main business units:

- Retail Banking
- Corporate and Commercial Banking

The Bank's Retail Banking activities include card payment systems, individual, individual portfolio, blue class, private banking, ME and SME banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, SME Banking Packages, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. In addition, customers who receive their monthly salary/SSI payments through our bank are offered privileges covering various banking transactions. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. Through its Blue Class and Private Banking activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, mutual funds, foreign exchange, gold and equity trading. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory, education and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

Corporate and Commercial Banking segment is organized into three subgroups: Corporate Banking for large-scale companies, Commercial Banking for medium-sized enterprises and Multinational Companies Banking for multinational companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management, internet banking, financial advisory and equity management advisory.

The Bank's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments. Treasury, Asset – Liability Management and other operations, mainly consist of treasury management's results, operations of supporting business units and other unallocated transactions.

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

Major balance sheet and income statement items based on operating segments:

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

Current Period	**Retail banking**	**Corporate and commercial banking**	**Treasury, asset-liability management and other**	**Total operations of the Bank**
Operating revenue	9.655.866	9.891.868	58.571	19.606.305
Operating expenses	(6.669.444)	(5.894.790)	(3.493.375)	(16.057.609)
Net operating income / (expense)	**2.986.422**	**3.997.078**	**(3.434.804)**	**3.548.696**
Dividend income[(1)]	-	-	9.310	9.310
Income/(loss) from investments accounted based on equity method[(1)]	-	-	780.930	780.930
Profit before tax	**2.986.422**	**3.997.078**	**(2.644.564)**	**4.338.936**
Tax provision expense[(1)]			(738.876)	(738.876)
Net period income	**2.986.422**	**3.997.078**	**(3.383.440)**	**3.600.060**
Net profit	**2.986.422**	**3.997.078**	**(3.383.440)**	**3.600.060**
Segment asset	82.232.054	130.014.639	167.422.208	379.668.901
Investments in associates, subsidiaries and joint ventures	-	-	7.826.926	7.826.926
Total assets	**82.232.054**	**130.014.639**	**175.249.134**	**387.495.827**
Segment liabilities	154.441.907	69.577.123	122.289.143	346.308.173
Shareholders' equity	-	-	41.187.654	41.187.654
Total liabilities	**154.441.907**	**69.577.123**	**163.476.797**	**387.495.827**

Prior Period[(2)]	**Retail banking**	**Corporate and commercial banking**	**Treasury, asset-liability management and other**	**Total operations of the Bank**
Operating revenue	8.141.407	6.573.989	3.806.771	18.522.167
Operating expenses	(5.278.402)	(5.225.362)	(2.944.742)	(13.448.506)
Net operating income / (expense)	**2.863.005**	**1.348.627**	**862.029**	**5.073.661**
Dividend income[(1)]	-	-	6.326	6.326
Income/(loss) from investments accounted based on equity method[(1)]	-	-	775.504	775.504
Profit before tax	**2.863.005**	**1.348.627**	**1.643.859**	**5.855.491**
Tax provision expense[(1)]	-	-	(1.188.065)	(1.188.065)
Net period income	**2.863.005**	**1.348.627**	**455.794**	**4.667.426**
Net profit	**2.863.005**	**1.348.627**	**455.794**	**4.667.426**
Segment asset	80.911.357	125.801.320	134.540.954	341.253.631
Investments in associates, subsidiaries and joint ventures	-	-	6.789.960	6.789.960
Total assets	**80.911.357**	**125.801.320**	**141.330.914**	**348.043.591**
Segment liabilities	172.116.780	76.729.909	60.193.403	309.040.092
Shareholders' equity	-	-	39.003.499	39.003.499
Total liabilities	**172.116.780**	**76.729.909**	**99.196.902**	**348.043.591**

(1) Related items have not been distributed based on operating segments and presented under "Treasury, Asset-Liability Management and Other".

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

Section Five - Explanations and notes related to unconsolidated financial statements

1. Explanations and notes related to assets

1.1. Information related to cash and the account of the Central Bank of the Republic of Turkey:

1.1.1 Information on cash and the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.488.887	3.019.487	1.443.281	3.340.678
The CBRT[(1)]	999.602	35.841.927	15.313.011	35.417.868
Other	-	73	-	56
Total	**2.488.489**	**38.861.487**	**16.756.292**	**38.758.602**

(1) The balance of gold amounting to TL 2.092.586 is accounted for under the Central Bank foreign currency account (December 31, 2018 -TL 4.233.215).

1.1.2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount [(1)]	999.602	21.554.089	8.416.404	21.436.238
Time unrestricted amount	-	-	6.896.607	-
Time restricted amount	-	-	-	-
Reserve requirement[(2)]	-	14.287.838	-	13.981.630
Total	**999.602**	**35.841.927**	**15.313.011**	**35.417.868**

(1) The TL reserve requirement has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA letter as of January 3, 2008.
(2) The Bank keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2013/15, "Decree on Reserve Deposits".

1.2. Information on financial assets at fair value through profit and loss:

The Bank does not have financial assets at fair value through profit and loss subject to repo transactions and does not have financial assets at fair value through profit and loss given as collateral/blocked amount (December 31, 2018 - None).

1.3. Information on derivative financial assets:

1.3.1 Positive differences related to derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	443.084	-	941.170	-
Swap transactions	2.891.149	1.060.008	3.904.322	641.773
Futures transactions	563	-	-	-
Options	37.260	17.547	256.107	47.662
Other	-	-	-	-
Total	**3.372.056**	**1.077.555**	**5.101.599**	**689.435**

1.3.2 Positive differences related to derivative financial assets held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges [(1)]	1.690	-	-	-
Cash flow hedges [(1)]	254.687	42.439	2.869.353	299.733
Hedges for investments made in foreign countries	-	-	-	-
Total	**256.377**	**42.439**	**2.869.353**	**299.733**

(1) Explained in Note 8 of section 4.

1.4. Information on banks:

1.4.1 Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	3.296.213	267.549	13.311	-
Foreign	250	18.975.253	5.986	1.658.987
Head quarters and branches abroad	-	-	-	-
Total	**3.296.463**	**19.242.802**	**19.297**	**1.658.987**

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

1.4.2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
EU countries	4.976.821	814.260	-	-
USA, Canada	12.208.824	572.018	365.275	242.192
OECD countries [(1)]	1.392.918	18.444	-	-
Off-shore banking regions	497	196	-	-
Other	31.168	17.863	-	-
Total	**18.610.228**	**1.422.781**	**365.275**	**242.192**

(1) OECD countries except EU countries, USA and Canada.

1.4.3. Information on money markets receiveables:

As of December 31, 2019 a total of 10.703.351 TL reverse repo transactions with domestic banks are included in the money market receivables (31 December 2018 - None).

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

As of December 31, 2019 financial assets at fair value through other comprehensive income given as collateral/blocked amounts to TL 1.540.466 (31 December 2018 - TL 1.292.400), subject to repo transactions amounts to TL 3.069.033 (31 December 2018 - TL 959.438).

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

	Current Period	**Prior Period**
	TP	**TP**
Debt securities	26.819.853	27.758.411
Quoted on stock exchange[(1)]	26.522.842	27.495.268
Not quoted	297.011	263.143
Share certificates	58.937	55.935
Quoted on stock exchange	-	-
Not quoted	58.937	55.935
Impairment provision (-)[(2)]	187.484	1.153.847
Total	**26.691.306**	**26.660.499**

(1) As of January 1, 2018, the Bank has changed its business model for some government debt securities with the adoption of TFRS 9. As a result, government bonds with an amount of TL 1.998.350 has been classified from financials assets at fair value through other comprhensive income to financial assets measured at amortised cost.
(2) Includes the negative differences between the acquisition cost and the market price related to the securities portfolio.

1.7. Explanations on loans:

1.7.1. Information on all types of loans or advance balances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	**Non-cash**	**Cash**	**Non-cash**
Direct loans granted to shareholders	**-**	**-**	**-**	**-**
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	**35.013**	**1.199.169**	**90.240**	**1.351.956**
Loans granted to employees	**218.897**	**198**	**170.708**	**52**
Total	**253.910**	**1.199.367**	**260.948**	**1.352.008**

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

1.7.2. Information on the first and second group loans and other receivables and loans and other receivables that have been restructured or rescheduled:

Cash Loans	Standard loans	Loans under close monitoring		
		Not under the scope of restructuring	Loans under restructuring	
			Modifications on agreement conditions	Refinancing
Non-specialized loans	**185.884.289**	**15.128.459**	**2.244.967**	**18.931.626**
Loans given to enterprises	84.480.996	11.993.262	2.009.380	10.226.781
Export loans	9.024.573	501.480	133.662	5.133.336
Import loans	-	-	-	-
Loans given to financial sector	5.219.185	-	-	-
Consumer loans	34.658.164	943.712	-	1.307.886
Credit cards	27.731.273	719.040	-	678.254
Other[1]	24.770.098	970.965	101.925	1.585.369
Specialized loans	-	-	-	-
Other receivables	**647.401**	**-**	**-**	**-**
Total	**186.531.690**	**15.128.459**	**2.244.967**	**18.931.626**

(1) Fair value differences of the hedged item amounting to TL 5.101 income are classified in other loans as explained in Note 8, Section 4.

	Standard loans	Loans under close monitoring
12-month provisions for possible losses	1.067.470	-
Significant increase in credit risk	-	4.841.241
Total	**1.067.470**	**4.841.241**

1.7.3. Loans according to their maturity structure:

	Standard loans	Loans under close monitoring	
		Not under the scope of restructuring	Agreement conditions modified
Short-term loans	62.772.948	3.167.345	406.174
Medium and long-term loans	123.758.742	11.961.114	20.770.419
Total	**186.531.690**	**15.128.459**	**21.176.593**

1.7.4. Information on loans by types and specific provisions

1.7.4.1. Information on loans by types and specific provisions:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	124.142.253	34.658.164	27.731.273	186.531.690
Watch list	32.656.160	2.251.598	1.397.294	36.305.052
Loans under legal follow-up	15.567.196	1.466.873	1.240.433	18.274.502
Specific provisions (-)	9.253.191	1.108.438	1.052.275	11.413.904
Total	**163.112.418**	**37.268.197**	**29.316.725**	**229.697.340**

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	123.287.084	30.591.808	26.266.314	180.145.206
Watch list	28.889.406	1.939.454	1.676.879	32.505.739
Loans under legal follow-up	9.963.706	1.273.958	1.142.193	12.379.857
Specific provisions (-)	7.444.315	824.294	585.693	8.854.302
Total	**154.695.881**	**32.980.926**	**28.499.693**	**216.176.500**

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

1.7.4.2. Specific provisions provided against loans:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Opening balance	**7.444.315**	**824.294**	**585.693**	**8.854.302**
Impairment	5.389.385	1.008.153	1.012.776	7.410.314
Collections (-)	917.146	337.054	184.367	1.438.567
Write-off (-)	2.663.363	386.955	361.827	3.412.145
Total	**9.253.191**	**1.108.438**	**1.052.275**	**11.413.904**

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
December 1, 2017 closing balance	**4.322.326**	**1.433.027**	**1.191.177**	**6.946.530**
IFRS 9 remeasurement	813.911	71.593	23.546	909.050
Opening balance	**5.136.237**	**1.504.620**	**1.214.723**	**7.855.580**
Impairment	4.814.987	1.044.121	510.506	6.369.614
Collections (-)	1.516.799	812.876	535.385	2.865.060
Write-off (-)	990.110	911.571	604.151	2.505.832
Total	**7.444.315**	**824.294**	**585.693**	**8.854.302**

1.7.4.3. Fair value of collaterals:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Watch List	16.815.858	419.553	-	17.235.411
Loans under legal follow-up	5.475.758	92.439	-	5.568.197
Total	**22.291.616**	**511.992**	**-**	**22.803.608**

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Watch List	18.438.885	295.741	-	18.734.626
Loans under legal follow-up	3.953.041	66.320	-	4.019.361
Total	**22.391.926**	**362.061**	**-**	**22.753.987**

1.7.5. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short- term	Medium and long-term	Total
Consumer loans-TL	**747.158**	**34.076.431**	**34.823.589**
Real estate loans	6.250	10.462.445	10.468.695
Automotive loans	22.324	599.614	621.938
Consumer loans	718.584	23.014.372	23.732.956
Consumer loans-FC indexed	**-**	**16.389**	**16.389**
Real estate loans	-	16.389	16.389
Automotive loans	-	-	-
Consumer loans	-	-	-
Individual credit cards-TL	**20.136.709**	**648.539**	**20.785.248**
With installments	10.205.703	180.583	10.386.286
Without installments	9.931.006	467.956	10.398.962
Individual credit cards-FC	**28.401**	**-**	**28.401**
With installments	-	-	-
Without installments	28.401	-	28.401
Personnel loans-TL	**13.803**	**80.254**	**94.057**
Real estate loans	-	1.781	1.781
Automotive loans	90	201	291
Consumer loans	13.713	78.272	91.985
Personnel loans-FC indexed	**-**	**-**	**-**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Personnel credit cards-TL	**120.400**	**352**	**120.752**
With installments	55.194	250	55.444
Without installments	65.206	102	65.308
Personnel credit cards-FC	**514**	**-**	**514**
With installments	-	-	-
Without installments	514	-	514
Credit deposit account-TL (real person)(1)	**1.975.727**	**-**	**1.975.727**
Total	**23.022.712**	**34.821.965**	**57.844.677**

(1) TL 3.574 of the credit deposit account belongs to the loans used by personnel.

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

1.7.6. Information on commercial installment loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installments loans-TL	**609.710**	**17.381.837**	**17.991.547**
Business loans	473	1.153.478	1.153.951
Automotive loans	49.115	705.539	754.654
Consumer loans	560.122	15.522.820	16.082.942
Commercial installments loans-FC indexed	**-**	**47.147**	**47.147**
Business loans	-	3.657	3.657
Automotive loans	-	11.461	11.461
Consumer loans	-	32.029	32.029
Corporate credit cards-TL	**8.126.301**	**66.014**	**8.192.315**
With installment	5.454.526	53.099	5.507.625
Without installment	2.671.775	12.915	2.684.690
Corporate credit cards-FC	**1.337**	**-**	**1.337**
With installment	-	-	-
Without installment	1.337	-	1.337
Credit deposit account-TL (legal person)	**984.007**	**-**	**984.007**
Total	**9.721.355**	**17.494.998**	**27.216.353**

1.7.7. Distribution of by users:

	Current Period	Prior Period
Public	2.891.413	1.959.146
Private	219.945.329	210.691.799
Total	**222.836.742**	**212.650.945**

1.7.8. Distribution of domestic and foreign loans:

Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Domestic loans	220.045.472	209.869.373
Foreign loans	2.791.270	2.781.572
Total	**222.836.742**	**212.650.945**

1.7.9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	288.721	501.490
Indirect loans granted to associates and subsidiaries	-	-
Total	**288.721**	**501.490**

1.7.10. Information on credit-impaired (Stage 3):

	Current Period	Prior Period
Loans with limited collectibility	1.802.062	1.131.764
Loans with doubtful collectibility	1.987.691	1.680.918
Uncollectible loans	7.624.151	6.041.620
Total	**11.413.904**	**8.854.302**

1.7.11. Information on non-performing loans (net):

1.7.11.1 Information on restructured loans from non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period			
Gross amounts before specific reserves	**187.399**	**238.221**	**925.306**
Restructured loans	187.399	238.221	925.306
Prior Period			
Gross amounts before specific reserves	**57.548**	**109.283**	**70.668**
Restructured loans	57.548	109.283	70.668

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

1.7.11.2. Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period	**2.744.681**	**2.670.841**	**6.964.335**
Additions (+)	8.654.438	1.073.298	1.341.598
Transfers from other categories of non- performing loans (+)	-	7.490.936	6.845.619
Transfer to other categories of non- performing loans (-)	7.490.936	6.845.619	-
Collections (-)	438.895	633.905	689.744
Write-offs (-)	-	-	843.413
Sold (-)	-	-	2.568.732
Corporate and commercial loans	-	-	1.819.950
Consumer loans	-	-	386.955
Credit cards	-	-	361.827
Other	-	-	-
Current Period	**3.469.288**	**3.755.551**	**11.049.663**
Specific provision (-)	1.802.062	1.987.691	7.624.151
Net balance on balance sheet	**1.667.226**	**1.767.860**	**3.425.512**

As of December 31, 2019, in accordance with the changes on "Provisioning Regulation" published in the Official Gazette No. 30961 dated November 27, 2019 by BRSA, the Group has written off corporate and commercial loans amounting to TL 817.316 that are classified under Group 5, more than 540 days overdue and after collaterals deducted 100% provisioned hence there is no reasonable expectation of recovery. After the loans had written off within the period in accordance with the changes on Provisioning Regulation, non performing loan ratio decreased from 7,89% to 7,58%.

By Board of Directors resolution; it has been decided to sell non-performing loans which comprises of consumer loans, commercial loans and credit cards under follow-up with amounting to TL 2.568.732 to a selection of asset management companies for a total amount of TL 91.926.

1.7.11.3. Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period			
Period end balance	1.957.788	1.877.846	4.060.849
Specific provision (-)	1.029.665	759.643	2.260.353
Net balance on-balance sheet	**928.123**	**1.118.203**	**1.800.496**
Prior Period			
Period end balance	1.303.707	1.299.579	737.008
Specific provision (-)	424.975	792.813	701.084
Net balance on-balance sheet	**878.732**	**506.766**	**35.924**

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

1.7.11.4. Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (net)	**1.667.226**	**1.767.860**	**3.425.512**
Loans granted to real persons and corporate entities (gross)	3.469.288	3.755.551	10.936.580
Provision amount (-)	1.802.062	1.987.691	7.511.068
Loans granted to real persons and corporate entities (net)	1.667.226	1.767.860	3.425.512
Banks (gross)	-	-	29.183
Provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans (gross)	-	-	83.900
Provision amount (-)	-	-	83.900
Other loans (Net)	-	-	-
Prior Period (net)	**1.612.916**	**989.923**	**922.716**
Loans granted to real persons and corporate entities (gross)	2.744.680	2.670.841	6.851.165
Specific provision amount (-)	1.131.764	1.680.918	5.928.449
Loans granted to real persons and corporate entities (Net)	1.612.916	989.923	922.716
Banks (gross)	-	-	29.183
Specific provision amount (-)	-	-	29.183
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Specific provision amount (-)	-	-	83.988
Other loans and receivables (Net)	-	-	-

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

	III. Group Loans with limited collectibility	IV. Group Loans with doubtful collectibility	V. Group Uncollectible loans
Current Period (net)	**77.251**	**72.178**	**133.953**
Interest accruals and rediscounts and valuation differences	266.994	245.097	689.893
Provision amount (-)	189.743	172.919	555.940
Prior Period (net)	**63.343**	**54.249**	**9.997**
Interest accruals and rediscounts and valuation differences	226.817	261.143	92.601
Provision amount (-)	163.474	206.894	82.604

1.7.12. Explanation on liquidation policy for uncollectible loans and receivables:

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected through legal follow-up, voluntary payments and liquidation of collaterals.

1.7.13. Explanation on "Write-off" policies:

In order to ensure the liquidation of non-performing loans and other receivables related to the liquidation policy, to provide the maximum collection all possible alternatives within the framework of the legislation are applied, and in case of collection, liquidation or receivables with no possibility of restructuring, the legal follow-up and conversion of collaterals into cash method is applied.

The receivables that are determined to be uncollectible in the Legal Follow-up process regarding the write-off policy can be deleted by the resolution of the Board of Directors by fulfilling the requirements in the relevant laws, regulations and internal directives.

Besides, in accordance with the changes on "Provisioning Regulation" published in the Official Gazette No. 30961 dated November 27, 2019 by the BRSA, the Bank, in line with TFRS 9, may write off part of the loans for which the Bank has no reasonable expectation of recovery and that are classified under group 5 with a life time expected credit loss due the to default of debtor, starting from the following reporting date that the loan is classified in group 5. Write off is only an accounting application in accordance with the related change in the regulation and it does not result in waive from the Bank's right to receive.

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

1.8. Information on financial assets at amortized cost:

1.8.1 Characteristics and carrying values of financial assets measured at amortised cost which are subject to repurchase agreements and given as collateral / blocked:

As of December 31, 2019 Financial assets measured at amortised cost given as collateral/blocked amounts to TL 13.856.497 (31 December 2018 –TL 9.329.007).Subject to repo transactions amounting to TL 1.128.350 (31 December 2018 –TL 747.761).

1.8.2. Information on public sector debt securities measured at amortized cost:

	Current period	Prior period
Government bond	27.974.855	21.675.166
Treasury bill	-	-
Other public sector debt securities	330.804	-
Total	**28.305.659**	**21.675.166**

1.8.3. Information on financial assets measured at amortized cost:

	Current period	Prior period
Debt securities	29.180.120	22.316.207
Quoted on stock exchange	29.180.120	22.316.207
Not quoted	-	-
Impairment provision (-)(1)	874.461	641.041
Total	**28.305.659**	**21.675.166**

(1) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities.

1.8.4. Movement of financial assets measured at amortized cost within the period:

	Current period	Prior period
Beginning balance	**21.675.166**	**13.030.911**
Foreign currency differences on monetary assets(1)	2.204.788	4.513.802
Purchases during the year	4.807.224	3.674.945
Transfers(2)	-	1.998.350
Disposals through sales and redemptions	148.099	1.279.600
Impairment provision (-)(3)	233.420	263.242
Period end balance	**28.305.659**	**21.675.166**

(1) Also includes the changes in the interest income accruals.
(2) As of January 1, 2018, the Bank has changed its business model for some government debt securities with the adoption of TFRS 9. As a result government bonds with an amount of TL 1.998.350 has been classified from "Financial assets at fair value through other comprehensive income" to "Financial assets measured at amortised cost" in the prior period.
(3) Includes amortisation of the premiums paid during the purchase of the securities throughout the maturity of the securities.

1.9. Information on investments in associates (net):

1.9.1. Information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage(%)
1.	Banque de Commerce et de Placements S.A.	Geneva/Switzerland	30,67	30,67
2.	Kredi Kayıt Bürosu(1)	Istanbul/Turkey	18,18	18,18
3.	Bankalararası Kart Merkezi A.Ş.(1)	Istanbul/Turkey	9,98	9,98

1.9.2. Main financial figures of the investments in associates in the order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	20.073.873	3.266.221	23.116	482.897	59.079	180.015	153.142	-
2.	348.965	224.008	234.334	8.774	-	26.579	34.818	-
3.	147.868	93.468	65.949	3.852	-	28.503	15.603	-

(1) Financial statement information disclosed above shows September 30, 2019 results.

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

1.9.3. Movement of unconsolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	**790.241**	**533.887**
Movements during the period	**118.117**	**256.354**
Purchases	-	-
Free shares obtained profit from current year's share	-	1.598
Profit from current year's income	19.070	65.057
Sales(-)	-	-
Revaluation (decrease) / increase(1)	114.699	201.521
Impairment provision (-)(2)	15.652	11.822
Balance at the end of the period	**908.358**	**790.241**
Capital commitments	**-**	**-**
Shareholding percentage at the end of the period (%)	**-**	**-**

(1) Includes the differences in the other comprehensive income related with the equity method accounting.
(2) Includes dividend income received in the current period.

1.9.4. Information on sectors and the carrying amounts of unconsolidated financial investments in associates:

	Current Period	Prior Period
Banks	902.257	784.140
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total	**902.257**	**784.140**

1.9.5. Information on investments in associates quoted on a stock exchange:

None (December 31, 2018 - None).

1.10. Information on shareholders' equity of the significant subsidiaries (net):

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

1.10.1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Core capital					
Paid in capital	98.918	60.714	389.928	7.642	112.442
Inflation adjustment to share capital					
Share premium	-	-	-	-	-
Other capital reserves	95.737	-	(217.104)	-	-
Other accumulated comprehensive income that will not be classified in profit or loss	52.830	(1.717)	2.154	(1.066)	-
Other accumulated comprehensive income that will be classified in profit or loss	25	-	-	-	1.547.201
Legal reserves	62.493	8.034	79.305	27.469	-
Extraordinary reserves	166.189	137.940	659.399	-	789.856
Other profit Reserves	-	-	-	-	-
Income or Loss	42.799	212.279	1.637.702	46.972	133.933
Current Year Income/Loss	112.745	110.521	361.715	46.972	133.933
Prior Years' Income/Loss	(69.946)	101.758	1.275.987	-	-
Leasehold improvements (-)	180	214	-	227	253
Intangible assets (-)	28.974	3.585	11.545	526	3.272
Total core capital	**489.837**	**413.451**	**2.539.839**	**80.264**	**2.579.907**
Supplementary capital	**25.701**	**43**	**1.322**	**-**	**9.720**
Capital	**515.538**	**413.494**	**2.541.161**	**80.264**	**2.589.627**
Deductions from the capital	**-**	**-**	**-**	**-**	**-**
Total shareholders' equity	**515.538**	**413.494**	**2.541.161**	**80.264**	**2.589.627**

The above information is based on the consolidated financial statements of the Bank as of December 31, 2019.

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

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

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

1.10.2. Information on subsidiaries:

No	Description	Address (City/ Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage (%)
1	Yapı Kredi Holding BV.	Amsterdam/Holland	100,00	100,00
2	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99,98	100,00
3	Yapı Kredi Faktoring A.Ş.	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Finansal Kiralama A.O.	Istanbul/Turkey	99,99	99,99
5	Yapı Kredi Portföy Yönetimi A.Ş.	Istanbul/Turkey	12,65	99,99
6	Yapı Kredi Nederland	Amsterdam/Holland	67,24	100,00
7	Yapı Kredi Azerbaycan	Baku/Azerbaijan	99,80	100,00
8	Enternasyonal Turizm Yatırım A.Ş	Istanbul/Turkey	99,96	99,99
9	Yapı Kredi Kültür Sanat Yayıncılık Tic.ve San.A.Ş.	Istanbul/Turkey	99,99	100,00
10	Yapı Kredi Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

1.10.3. Main financial figures of the subsidiaries in order of the above table:

Financial statement information disclosed consolidated financial statements results.

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income om marketable urities portfolio	Current period profit / loss	Prior period profit /loss	Market value	Required equity
1	234.411	234.079	-	-	-	(134)	153	-	-
2	4.253.032	518.991	52.149	181.010	24.137	112.745	100.252	-	-
3	3.400.019	417.250	8.277	418.982	-	110.521	98.223	-	-
4	10.783.161	2.551.384	15.379	938.957	-	361.715	331.168	-	-
5	96.621	81.017	913	12.481	-	46.972	36.014	-	-
6	10.745.614	2.583.432	11.692	570.690	19.381	133.933	155.325	-	-
7	1.561.521	322.354	64.587	79.200	8.784	19.056	11.936	-	-
8	56.327	43.485	4.795	5.322	-	12.156	3.888	-	-
9	48.611	33.427	1.645	1	-	6.326	2.013	-	-
10	16.229	11.961	908	1.464	-	3.796	4.267	-	-

1.10.4. Movement schedule of subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	**5.971.254**	**4.800.064**
Movements in period	**917.699**	**1.171.190**
Purchases	-	-
Free shares obtained profit from current years share	335	-
Dividends from current year income	760.710	707.668
Sales(-)(1)	-	-
Revaluation increase/decrease(1)	324.148	511.903
Impairment provision (-)(2)	167.494	48.381
Balance at the end of the period	**6.888.953**	**5.971.254**
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(1) Includes the differences in the other comprehensive income of consolidated subsidiaries and the first time application impact of TFRS 9 for associates and joint ventures accounted using equity method amounting to net TL 181.350 expense in the prior period.

(2) Includes dividend income received in the current period.

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

1.10.5. Sectoral information on financial subsidiaries and the related carrying amounts:

Financial subsidiaries	Current Period	Prior Period
Banks	2.058.889	1.755.210
Insurance companies	-	-
Factoring companies	417.051	306.915
Leasing companies	2.551.230	2.185.240
Finance companies	-	-
Other financial subsidiaries	1.861.783	1.723.889
Total	**6.888.953**	**5.971.254**

1.10.6. Subsidiaries quoted on stock exchange:

None (December 31, 2018 - None).

1.11. Information on joint ventures (net):

Joint ventures in unconsolidated financial statements are accounted and monitored at equity method according to "TAS – 27 Individual Financial Statements".

	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi – Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	97.470	82.317	36.962	60.508	8.393	55.780	51.626
Total			**97.470**	**82.317**	**36.962**	**60.508**	**8.393**	**55.780**	**51.626**

1.12. Information on lease receivables (net):

None (December 31, 2018 - None).

1.13. Information on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Right-of-use assets (1)	Other tangible fixed assets	Total
Prior Period						
Cost	3.534.757	233.383	2.640	-	1.393.485	5.164.265
Accumulated depreciation (-)	918.383	231.432	2.385	-	741.854	1.894.054
Net book value	**2.616.374**	**1.951**	**255**	**-**	**651.631**	**3.270.211**
Current Period						
Net book value at beginning of the period	**2.616.374**	**1.951**	**255**	**-**	**651.631**	**3.270.211**
TFRS 16 opening balance	-	-	-	801.061	-	801.061
Additions(1)	13.812	-	-	496.166	297.582	807.560
Disposals (-), net	6.516	22	-	132.817	1.338	140.693
Reversal of impairment	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-
Depreciation (-)	25.746	342	117	266.144	164.464	456.813
Net book value at end of the period	**2.597.924**	**1.587**	**138**	**898.266**	**783.411**	**4.281.326**
Cost at the end of the period	3.514.635	205.691	2.639	1.112.265	1.588.440	6.423.670
Accumulated depreciation at the period end (-)	916.711	204.104	2.501	213.999	805.029	2.142.344
Current Period	**2.597.924**	**1.587**	**138**	**898.266**	**783.411**	**4.281.326**

(1) Includes branch and atm leases accounted within the scope of TFRS 16.

As of December 31, 2019, the Bank had total provision for impairment amounting to TL 207.255 (December 31, 2018 – TL 207.255) for the property and equipment.

1.14. Information on intangible assets:

	Current Period	Prior Period
Balance at the beginning of the period	**1.749.439**	**1.626.850**
Additions during the period	236.330	224.229
Unused and disposed items (-)	7	-
Impairment reversal	-	-
Amortization expenses (-)	140.661	101.640
Balance at the end of the period	**1.845.101**	**1.749.439**

1.15. Information on investment property:

None (December 31, 2018 - None).

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

1.16. Information on deferred tax asset :

	Current Period		Prior Period	
	Tax base	**Deferred tax**	**Tax base**	**Deferred tax**
Temporary differences	753.110	165.684	658.112	144.785
Pension fund provision	1.178.063	259.174	921.350	202.697
Derivative financial assets	1.973.180	434.099	-	-
Valuation difference of securities portfolio	205.288	45.163	2.224.089	489.300
Subsidiaries, investment in associates and share certificates	131.456	28.921	122.117	26.866
Expected credit loss	6.384.341	1.404.555	5.177.891	1.139.136
Other	1.927.238	423.994	902.021	198.445
Total deferred tax asset	**12.552.676**	**2.761.590**	**10.005.580**	**2.201.229**
Derivative financial liabilities	-	-	1.678.815	363.904
Valuation difference of securities portfolio	747.296	164.406	3.672.248	807.895
Property, equipment and intangibles, net	2.779.475	363.579	2.419.986	291.457
Other	1.149.885	252.976	666.639	168.338
Total deferred tax liability	**4.676.656**	**780.961**	**8.437.688**	**1.631.594**
Deferred tax asset / (liability), net	**7.876.020**	**1.980.629**	**1.567.892**	**569.635**

In accordance with TAS 12, deferred tax assets and deferred tax liabilities in the financial statements are clarified and deferred tax asset amounting to TL 1.980.629 is presented in the financial statements (December 31,2018 – TL 569.635 deferred tax assets).

1.17. Movement schedule of assets held for resale and related to discontinued operations:

	Current Period	**Prior Period**
Net book value at the beginning of the period	**288.349**	**202.019**
Additions	214.920	158.125
Disposals (-), net	184.199	73.067
Impairment provision reversal	989	1.450
Depreciation (-)	-	178
Net book value at the end of the period	**320.059**	**288.349**
Cost at the end of the period	326.814	297.286
Accumulated depreciation at the end of the period (-)	6.755	8.937
Net book value at the end of the period	**320.059**	**288.349**

As of December 31, 2019, the Bank booked impairment provision on assets held for resale with an amount of TL 3.700 (December 31, 2018 - TL 4.689).

1.18. Information on other assets:

As of December 31, 2019, other assets do not exceed 10% of the total assets.

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

2. Explanations and notes related to liabilities

2.1. Information on deposits:

2.1.1. Information on maturity structure of deposits/collected funds:

Current Period	Demand	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative savings account	Total
Saving deposits	10.543.930	18.796.392	31.451.383	1.073.202	808.902	689.985	1.110	63.364.904
Foreign currency deposits	25.958.802	12.031.755	64.746.566	2.958.957	3.227.974	5.479.798	-	114.403.852
Residents in Turkey	25.549.840	11.809.616	63.369.729	2.909.309	1.648.453	848.199	-	106.135.146
Residents abroad	408.962	222.139	1.376.837	49.648	1.579.521	4.631.599	-	8.268.706
Public sector deposits	1.293.752	3.080	8.286	878	98	45	-	1.306.139
Commercial deposits	8.684.777	11.184.504	12.238.066	329.005	584.804	92.787	-	33.113.943
Other institutions deposits	156.583	198.278	651.990	402.394	428.821	49.131	-	1.887.197
Precious metals vault	2.362.411	206.882	571.548	95.928	250.328	65.531	-	3.552.628
Bank deposits	1.348.857	2.614.483	854.082	286.875	57.158	-	-	5.161.455
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	7.262	2.536.377	596.437	286.875	57.158	-	-	3.484.109
Foreign banks	418.089	78.106	257.645	-	-	-	-	753.840
Participation banks	923.506	-	-	-	-	-	-	923.506
Other	-	-	-	-	-	-	-	-
Total	**50.349.112**	**45.035.374**	**110.521.921**	**5.147.239**	**5.358.085**	**6.377.277**	**1.110**	**222.790.118**

Prior Period	Demand	Up to 1 month	1-3 months	3-6 months	6 months-1 year	1 year and over	Cumulative savings account	Total
Saving deposits	6.649.057	2.153.027	36.821.970	8.311.604	1.331.365	876.982	1.160	56.145.165
Foreign currency deposits	17.568.022	13.309.754	62.901.225	4.222.963	3.845.164	2.227.949	-	104.075.077
Residents in Turkey	17.226.979	13.073.148	61.680.447	3.966.514	2.364.955	749.558	-	99.061.601
Residents abroad	341.043	236.606	1.220.778	256.449	1.480.209	1.478.391	-	5.013.476
Public sector deposits	1.189.579	2.674	5.483	459	99	23	-	1.198.317
Commercial deposits	5.893.629	7.624.866	10.393.073	1.784.661	993.821	62.283	-	26.752.333
Other institutions deposits	119.735	103.261	1.361.760	231.659	996.277	52.341	-	2.865.033
Precious metals vault	1.162.378	150.773	305.887	45.968	83.191	26.594	-	1.774.791
Bank deposits	1.085.962	7.299.519	1.140.210	180.263	28.292	4.174	-	9.738.420
The CBRT	-	2.869.462	-	-	-	-	-	2.869.462
Domestic banks	13.727	4.413.187	482.462	180.263	28.292	4.174	-	5.122.105
Foreign banks	298.845	16.870	657.748	-	-	-	-	973.463
Participation banks	773.390	-	-	-	-	-	-	773.390
Other	-	-	-	-	-	-	-	-
Total	**33.668.362**	**30.643.874**	**112.929.608**	**14.777.577**	**7.278.209**	**3.250.346**	**1.160**	**202.549.136**

2.1.2. Information on saving deposits insurance:

2.1.2.1. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
Saving deposits	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Saving deposits	34.874.683	26.735.693	28.484.119	29.409.467
Foreign currency saving deposits	15.109.791	8.820.032	44.024.178	35.161.445
Other deposits in the form of saving deposits	1.642.752	807.367	1.544.417	822.760
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

2.1.2.2. Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	Current Period	Prior Period
Foreign branches' deposits and other accounts	10.094	9.744
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	485.958	284.591
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

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

2.2. Information on trading derivative financial liabilities:

2.2.1. Negative differences table for derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	102.780	-	143.108	-
Swap transactions	2.514.699	1.204.516	5.140.123	774.199
Futures transactions	-	-	-	-
Options	29.672	17.223	248.837	49.638
Other	-	-	-	-
Total	**2.647.151**	**1.221.739**	**5.532.068**	**823.837**

2.2.2. Negative differences table for derivative financial liabilities held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges [1]	316.376	-	313.994	-
Cash flow hedges [1]	2.579.191	311.976	542.895	68.511
Hedges for investments made in foreign countries	-	-	-	-
Total	**2.895.567**	**311.976**	**856.889**	**68.511**

(1) Explained in Note 10 of section 4.

2.3. Information about banks and other financial institutions:

2.3.1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The CBRT borrowings	-	-	-	-
From domestic banks and institutions	463.632	284.559	261.574	228.605
From foreign banks, institutions and funds	11.503	37.350.848	10.117	36.849.042
Total	**475.135**	**37.635.407**	**271.691**	**37.077.647**

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	475.135	7.743.474	271.691	8.065.386
Medium and long-term	-	29.891.933	-	29.012.261
Total	**475.135**	**37.635.407**	**271.691**	**37.077.647**

2.3.3. Information on securitization borrowings:

2.3.3.1. The Bank obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding programme.

	Current Period		Prior Period	
	TL	FC	TL	FC
From foreign banks	-	-	-	-
From foreign institutions	-	16.099.987	-	11.470.206
From foreign funds	-	-	-	-
Total	**-**	**16.099.987**	**-**	**11.470.206**

2.3.3.2. Information on financial liabilities at fair value through profit or loss :

The Bank classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9. As of December 31, 2019, the total amount of financial liabilities classified as fair value through profit/loss is TL 13.184.605 (December 31, 2018 –TL 7.965.404) with an accrued interest income of TL 245.152 (December 31, 2018 **-** TL 413.597 income) and with a fair value difference of TL 146.197 recognized in the expense statement as an income (December 31, 2018 - TL 566.340 income). On the other hand, the nominal amounts of the total return swaps and bond forwards which are closely related with these financial liabilities as of December 31, 2019 are TL 13.132.747 (December 31, 2018 **-** TL 8.115.956) for buy legs and sell legs with a fair value differences amounting to TL 236.129 liability (December 31, 2018 **-** TL 346.698 liability). The mentioned total return swaps have 8 year maturity in average.

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

2.3.4. Information on marketable securities issued:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Bonds	4.270.096	-	1.373.498	-
Bills(1)	1.642.095	14.791.500	1.305.384	13.706.130
Total	**5.912.191**	**14.791.500**	**2.678.882**	**13.706.130**

(1) Including mortgage backed securities amounting to TL 2.023.673 as of December 31, 2019 (December 31, 2018 – 1.218.736 TL).

2.4. Information on other liabilities:

As of December 31, 2019, other liabilities do not exceed 10% of the total balance sheet commitments.

2.5. Information on lease payables:

	Current Period(1)		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	322.459	192.089	90	85
Between 1 – 4 years	667.427	397.632	138	134
More than 4 years	519.361	309.384	-	-
Total	**1.509.247**	**899.105**	**228**	**219**

(1) The Bank has adopted TFRS 16 standard as of January 1, 2019. As an opening balance, TL 801.061 is recognised as "lease payables".

2.6. Information on provisions:

2.6.1. Information on reserve for employee rights:

In accordance with Turkish Labour Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. "TAS – 19 Employee Rights" necessitates actuarial valuation methods to calculate the liabilities of enterprises.

The following actuarial assumptions were used in the calculation of total liabilities:

	Current Period	Prior Period
Discount rate (%)	4,67	5,65
Possibility of being eligible for retirement (%)	94,85	94,45

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 6.730,15 effective from January 1, 2020 (January 1, 2019 - full TL 6.017,60) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	**450.207**	**391.760**
Changes during the period	78.663	61.985
Recognized in equity	66.003	51.323
Paid during the period	(74.490)	(54.861)
Balance at the end of the period	**520.383**	**450.207**

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 232.727 as of December 31, 2019 (December 31, 2018 - TL 207.905).

2.6.2. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

As of December 31, 2019, there is provision amounting TL 1 provision related to the foreign currency difference of foreign currency indexed loans amounts. (December 31, 2018 - TL 435). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

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

2.6.3. Other provisions:

	Current Period	Prior Period
Pension fund provision	1.178.063	921.350
Provisions on unindemnified non cash loans	772.000	762.204
Generic provisions on non cash loans	154.819	103.165
Provision on lawsuits	84.826	79.009
Provisions on credit cards and promotion campaigns related to banking services	59.768	53.726
Other	617.595	730.091
Total	**2.867.071**	**2.649.545**

Pension fund provision:

The Bank provided provision amounting to TL 1.178.063 (December 31, 2018 – TL 921.350) for the technical deficit based on the report prepared by an independent actuary company in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

	Current Period	Prior Period
Income statement (Other operations charge/benefit)	256.713	230.498

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	3.592.934	2.871.022
- Pension benefits transferable to SSI	3.763.200	3.003.344
- Post employment medical benefits transferable to SSI	(170.266)	(132.322)
Fair value of plan assets	(2.414.871)	(1.949.672)
Provision for the actuarial deficit of the pension fund	**1.178.063**	**921.350**

The principal actuarial assumptions used were as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

Mortality rate: Average life expectation is defined according to CSO 1980 mortality table.

Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	**%**	**Amount**	**%**
Bank placements	1.110.210	46	871.760	45
Government bonds and treasury bills	881.688	37	654.202	34
Premises and equipment	300.254	12	261.345	13
Other	122.719	5	162.365	8
Total	**2.414.871**	**100**	**1.949.672**	**100**

2.7. Information on taxes payable:

2.7.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	273.354	653.788
Taxation of Marketable Securities	189.641	162.568
Property Tax	3.832	3.290
Banking Insurance Transaction Tax ("BITT")	217.744	161.020
Foreign Exchange Transaction Tax	6.999	-
Value Added Tax Payable	15.991	13.797
Other	71.345	50.678
Total	**778.906**	**1.045.141**

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

2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums – employee	-	-
Social security premiums – employer	-	-
Bank pension fund premiums – employee	23.031	20.558
Bank pension fund premiums – employer	31.892	21.210
Pension fund deposit and provisions – employee	-	-
Pension fund deposit and provisions – employer	-	-
Unemployment insurance – employee	1.645	1.467
Unemployment insurance – employer	3.291	2.935
Other	-	-
Total	**59.859**	**46.170**

2.8. Liabilities for property and equipment held for sale and related to discontinued operations (net):

None (December 31, 2019 - None).

2.9. Information on subordinated debt(1):

	Current Period		Prior Period	
	TL	FC	TL	YP
Debt instruments to be included in additional capital calculation	**-**	**4.098.336**	**-**	**-**
Subordinated loans	-	-	-	-
Subordinated debt(2)	-	4.098.336	-	-
Debt instruments to be included in contribution capital calculation	**821.340**	**13.660.363**	**-**	**13.557.153**
Subordinated loans(3)	-	5.102.941	-	5.574.724
Subordinated debt(4) (5)	821.340	8.557.422	-	7.982.429
Total	**821.340**	**17.758.699**	**-**	**13.557.153**

(1) Subordinated loans are explained in detail in Note "Details on Subordinated Liabilities" of section four.
(2) On January 15, 2019, the Bank issued Additional Tier 1 Capital (AT1) notes with a nominal amount of USD 650 million in compliance with the features specified in the Article 7 of the BRSA Equity Regulation entitled "Additional Tier 1". Mentioned debt instruments are eligible to be included in the Additional Tier 1 capital of the Bank, with no specified maturity, having the early redemption every five years after issuance subject to BRSA approval and with an annual rate of 13.875% for the first five years having coupon payments every 6 months. If the core Tier 1 ratio falls below 5.125%, it may be subject to temporary value reduction. The mentioned debt instruments will be traded in the Ireland Stock Exchange. Out of the total issuance; USD 400 million nominal amount have been purchased by Koç Holding A.Ş. and Unicredit S.p.A in equal amounts, and these purchased amounts are committed not to be sold for 180 days.
(3) On January 16, 2019, the Bank has made a partial pay back of USD 200 million before its maturity of the subordinated loan of USD 470 million granted by UniCredit S.p.A on December 18, 2013 with a maturity of 10 years, which was structured in accordance with the features specified in the Article 8 of the BRSA Regulation on the Equity of Banks, and repayable by the debtor after 5 years from the issuance. The paid amount has been realized as USD 190 million principal and plus accrued interest in accordance with the valuation report prepared under CMB regulations.
(4) On July 3, 2019, the Bank issued bonds, which can qualify as Tier 2 capital, in the nominal value of TL 500 million (full TL) with a variable rate and maturity of 10 years to be sold to qualified investors in domestic market. Related bonds have the qualifications specified in Article 8 of the Regulation Regarding Banks' Shareholders' Equity", and can be redeemed after five years depending on BRSA approval.
(5) On October 3, 2019, the Bank issued bonds, which can qualify as Tier 2 capital, in the nominal value of TL 300 million (full TL) with a variable rate and maturity of 10 years to be sold to qualified investors in domestic market. Related bonds have the qualifications specified in Article 8 of the Regulation Regarding Banks' Shareholders' Equity", and can be redeemed after five years depending on BRSA approval.

2.10. Information on shareholders' equity:

2.10.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	8.447.051	8.447.051
Preferred stock	-	-

2.10.2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

Capital System	Paid-In Capital	Registered Share Capital Ceiling
Registered Capital System	8.447.051	10.000.000

2.10.3. Information on the share capital increases during the period and the sources:

None.(31 December 2018 – 4.100.000 TL.)

2.10.4. Information on transfers from capital reserves to capital during the current period:

None (December 31, 2018 - None).

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

2.10.5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:

None (December 31, 2018 - None).

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

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Bank within several risk and legal limits.

2.10.7. Privileges on the corporate stock:

None (December 31, 2018 - None).

2.10.8. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From investments in associates, subsidiaries, and joint ventures	**754.765**	**2.929.470**	**741.942**	**2.503.109**
Revaluation difference(1)	754.765	436.694	741.942	435.592
Foreign currency difference(1)	-	2.492.776	-	2.067.517
Financial assets at fair value through other comprehensive income	**(119.249)**	**(27.693)**	**(1.486.592)**	**(261.418)**
Revaluation difference (2)	(119.249)	(27.693)	(1.486.592)	(261.418)
Foreign currency differences	-		-	
Total	**635.516**	**2.901.777**	**(744.650)**	**2.241.691**

(1) Includes differences between historical cost basis and equity method of associates, subsidiaries and joint ventures.
(2) Includes tax effect related to foreign currency valuation differences in TL column.

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

3. Explanations and notes related to off-balance sheet accounts

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	41.380.895	35.189.895
Loan granting commitments	13.669.165	12.360.621
Commitments for cheques	3.389.714	2.990.824
Other irrevocable commitments	14.876.247	15.267.507
Total	**73.316.021**	**65.808.847**

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

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Bank set aside general provision for its non-cash loans amounting to TL 154.819 (December 31, 2018 - TL 103.165) and specific provision amounting to TL 1.175.798 (December 31, 2018 - TL 1.079.128) for non-cash loans which are not indemnified yet amounting to TL 772.000 (December 31, 2018 – 762.204).

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

	Current Period	Prior Period
Bank acceptance loans	156.431	200.915
Letter of credits	12.343.860	10.716.784
Other guarantees and collaterals	7.912.920	7.923.230
Total	**20.413.211**	**18.840.929**

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	1.311.813	1.300.681
Definite letter of guarantees	41.605.115	40.096.087
Advance letter of guarantees	10.342.946	11.055.173
Letter of guarantees given to customs	2.945.128	2.442.000
Other letter of guarantees	13.496.504	12.539.881
Total	**69.701.506**	**67.433.822**

3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	12.890.158	11.989.428
With original maturity of 1 year or less than 1 year	2.883.023	2.376.215
With original maturity of more than 1 year	10.007.135	9.613.213
Other non-cash loans	77.224.559	74.285.323
Total	**90.114.717**	**86.274.751**

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

3.1.3.2. Information on sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	TL	**(%)**	**FC**	**(%)**	**TL**	**(%)**	**FC**	**(%)**
Agricultural	**423.082**	**1,57**	**5.607.706**	**8,90**	**324.600**	**1,23**	**3.467.490**	**5,79**
Farming and raising livestock	280.232	1,04	5.101.009	8,09	231.432	0,88	3.179.968	5,31
Forestry	109.974	0,41	421.242	0,67	81.750	0,31	234.240	0,39
Fishing	32.876	0,12	85.455	0,14	11.418	0,04	53.282	0,09
Manufacturing	**13.465.937**	**49,82**	**31.386.707**	**49,74**	**12.312.519**	**46,61**	**28.997.997**	**48,45**
Mining	73.819	0,27	223.412	0,35	118.106	0,45	683.391	1,14
Production	10.188.987	37,70	25.817.574	40,92	8.694.393	32,91	24.043.041	40,17
Electric, gas and water	3.203.131	11,85	5.345.721	8,47	3.500.020	13,25	4.271.565	7,14
Construction	**5.975.921**	**22,11**	**13.671.278**	**21,67**	**6.420.726**	**24,30**	**13.616.930**	**22,75**
Services	**6.948.714**	**25,71**	**12.397.618**	**19,65**	**7.161.186**	**27,09**	**13.740.132**	**22,96**
Wholesale and retail trade	1.839.803	6,81	1.219.058	1,93	1.475.766	5,58	764.440	1,28
Hotel, food and beverage services	440.898	1,63	1.691.972	2,68	275.597	1,04	1.588.633	2,65
Transportation and telecommunication	786.159	2,91	3.446.468	5,46	624.555	2,36	3.624.958	6,06
Financial institutions	2.403.721	8,89	2.419.989	3,84	3.640.513	13,78	3.203.070	5,35
Real estate and leasing services	248.027	0,92	641.535	1,02	249.299	0,94	345.271	0,58
Self-employment services	-	-	-	-	-	-	-	-
Education services	134.826	0,50	50.924	0,08	44.742	0,17	44.440	0,07
Health and social services	1.095.280	4,05	2.927.672	4,64	850.714	3,22	4.169.320	6,97
Other	**210.112**	**0,79**	**27.642**	**0,04**	**202.755**	**0,77**	**30.416**	**0,05**
Total	**27.023.766**	**100,00**	**63.090.951**	**100,00**	**26.421.786**	**100,00**	**59.852.965**	**100,00**

3.1.3.3. Information on non-cash loans classified in Group I and Group II:

	Group I		Group II	
Current Period	**TL**	**FC**	**TL**	**FC**
Non-cash loans				
Letters of guarantee	24.245.978	36.310.029	2.299.149	5.687.909
Bank acceptances	-	155.433	-	998
Letters of credit	65.804	11.899.126	11.550	367.380
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	50.630	7.468.742	1.608	374.583
Total	**24.362.412**	**55.833.330**	**2.312.307**	**6.430.870**

	Group I		Group II	
Prior Period	**TL**	**FC**	**TL**	**FC**
Non-cash loans				
Letters of guarantee	24.440.415	39.281.123	1.810.612	822.544
Bank acceptances	-	183.378	-	17.537
Letters of credit	152.733	10.542.158	-	21.893
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	18.026	7.901.706	-	3.498
Total	**24.611.174**	**57.908.365**	**1.810.612**	**865.472**

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

3.1.3.4. Maturity distribution of non cash loans:

Current Period (1)	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	9.338.548	2.791.953	213.359	12.343.860
Letter of guarantee	23.312.489	14.514.762	24.261.562	7.612.693	69.701.506
Bank acceptances	-	136.716	15.461	4.254	156.431
Other	726.396	988.338	642.044	5.556.142	7.912.920
Total	**24.038.885**	**24.978.364**	**27.711.020**	**13.386.448**	**90.114.717**

Prior Period (1)	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	7.788.001	2.733.290	195.493	10.716.784
Letter of guarantee	24.326.364	11.478.675	24.729.086	6.899.697	67.433.822
Bank acceptances	-	167.613	29.447	3.855	200.915
Other	1.101.131	520.904	636.249	5.664.946	7.923.230
Total	**25.427.495**	**19.955.193**	**28.128.072**	**12.763.991**	**86.274.751**

(1) The distribution is based on the original maturities.

3.2. Information on derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	197.424.447	192.518.112
FC trading forward transactions	25.736.673	18.847.377
Trading swap transactions	162.874.763	160.203.963
Futures transactions	398.407	-
Trading option transactions	8.414.604	13.466.772
Interest related derivative transactions (II)	118.898.558	87.798.512
Forward interest rate agreements	-	-
Interest rate swaps	115.222.156	83.986.144
Interest rate options	3.676.402	3.812.368
Interest rate futures	-	-
Other trading derivative transactions (III)	27.537.689	24.682.146
A. Total trading derivative transactions (I+II+III)	**343.860.694**	**304.998.770**
Types of hedging derivative transactions		
Transactions for fair value hedge	3.411.980	3.445.976
Cash flow hedges	99.581.653	92.994.503
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	**102.993.633**	**96.440.479**
Total derivative transactions (A+B)	**446.854.327**	**401.439.249**

3.3. Information on credit derivatives and risk exposures:

The Bank has no credit default swaps in derivative portfolio for the period ended 31 December 2019.Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure (December 31, 2018 - None).

Derivative portfolio includes total return swaps for TL 25.465.494 (31 December 2018 – TL 16.231.912) for the period ended 31 December 2019.

3.4 Information on contingent liabilities and assets:

The Bank has recorded a provision of TL 84.826 (December 31, 2018 - TL 79.009) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

3.5 Information on services in the name and account of others:

The Bank's activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

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

4. Explanations and notes related to income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans [1]	8.144.431	376.531	7.566.186	317.026
Medium/long-term loans [1]	12.862.885	5.594.255	10.669.327	5.228.154
Interest on loans under follow-up	1.511.679	-	1.187.616	-
Premiums received from resource utilization support fund	-	-	-	-
Total	**22.518.995**	**5.970.786**	**19.423.129**	**5.545.180**

(1) Includes fees and commissions received for cash loans.

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	47.252	-	345.015	-
From domestic banks	443.850	7.940	144.231	2.685
From foreign banks	1.699	399.700	2.911	126.875
Headquarters and branches abroad	-	-	-	-
Total	**492.801**	**407.640**	**492.157**	**129.560**

4.1.3. Information on interest income on marketable securities:

		Current Period	Prior Period	Current Period
	TL	FC	TL	FC
From financial assets at fair value through profit or loss	7.894	4.405	9.144	2.042
From financial assets at fair value through other comprehensive income	2.890.569	218.300	4.337.457	181.313
From financial assets measured at amortised cost	1.834.292	440.486	2.115.329	496.176
Total	**4.732.755**	**663.191**	**6.461.930**	**679.531**

4.1.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest received from associates and subsidiaries	58.234	97.870
Total	**58.234**	**97.870**

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	103.789	2.514.081	39.139	1.803.499
The CBRT	-	-	-	593
Domestic banks	46.911	7.572	15.608	5.647
Foreign banks	56.878	2.506.509	23.531	1.797.259
Headquarters and branches abroad	-	-	-	-
Other institutions	-	745.064	-	454.975
Total [1]	**103.789**	**3.259.145**	**39.139**	**2.258.474**

(1) Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interest paid to associates and subsidiaries	60.964	272.047
Total	**60.964**	**272.047**

4.2.3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	807.379	974.911	522.371	867.667
Total	**807.379**	**974.911**	**522.371**	**867.667**

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

4.2.4. Maturity structure of the interest expense on deposits:

		Time deposit							
Account name	**Demand deposit**	**Up to 1 month**	**Up to 3 months**	**Up to 6 months**	**Up to 1 year**	**More than 1 year**	**Accumulating deposit**	**Total**	**Prior Period**
TL									
Bank deposits	1.280	112.548	68.984	-	314	1.056	-	184.182	255.505
Saving deposits	-	1.696.941	5.809.021	567.598	193.875	186.221	226	8.453.882	7.093.599
Public sector deposits	-	105	1.434	165	50	3	-	1.757	3.130
Commercial deposits	8	1.742.702	1.561.115	132.909	144.986	14.696	-	3.596.416	3.240.933
Other deposits	-	139.551	490.985	25.555	185.111	23.939	-	865.141	805.408
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Total	**1.288**	**3.691.847**	**7.931.539**	**726.227**	**524.336**	**225.915**	**226**	**13.101.378**	**11.398.575**
FC									
Foreign currency deposits	121	354.375	1.639.518	121.740	106.912	28.815	-	2.251.481	2.861.982
Bank deposits	4.382	18.340	919	-	-	-		23.641	66.306
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	1.804	2.325	416	1.195	545	-	6.285	4.219
Total	**4.503**	**374.519**	**1.642.762**	**122.156**	**108.107**	**29.360**	**-**	**2.281.407**	**2.932.507**
Grand total	**5.791**	**4.066.366**	**9.574.301**	**848.383**	**632.443**	**255.275**	**226**	**15.382.785**	**14.331.082**

4.3. Information on dividend income:

	Current Period	**Prior Period**
Financial assets at fair value through profit or loss	1.255	910
Financial assets at fair value through other comprehensive income	563	1.214
Other	7.492	4.202
Total	**9.310**	**6.326**

4.4. Information on trading gain/loss (net):

	Current Period	**Prior Period**
Gain	**82.648.302**	**116.027.524**
Gain from capital market transactions	332.295	175.958
Derivative financial transaction gains	31.980.907	47.499.921
Foreign exchange gains	50.335.100	68.351.645
Loss (-)	**84.533.181**	**116.675.147**
Loss from capital market transactions	60.633	50.197
Derivative financial transaction losses	32.886.294	36.012.871
Foreign exchange loss	51.586.254	80.612.079
Net gain/loss	**(1.884.879)**	**(647.623)**

4.5. Allowance for expected credit losses and other provision expenses:

	Current Period	**Prior Period**
Allowance for expected credit losses	**8.772.277**	**6.983.607**
12-month expected credit losses (Stage 1)	128.072	175.126
Significant increase in credit risk (Stage 2)	1.078.379	2.335.381
Credit-Impaired (Stage 3)	7.565.826	4.473.100
Impairment provisions for financial assets	-	-
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	-	-
Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships (Joint ventures)	-	-
Investments in associates	-	-
Subsidiaries	-	-
Jointly controlled partnerships (joint ventures)	-	-
Other	**40.975**	**138.096**
Total	**8.813.252**	**7.121.703**

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

4.6. Information on derivatives financial transaction gain/loss:

The net gain resulting from the foreign exchange differences related to derivative financial transactions is TL 2.001.899 (December 31, 2018 – TL 12.525.468 gain).

4.7. Information on other operating income:

"Other Operating Income" in the Income Statement mainly includes collections from receivables for which Specific / General provision has been allocated in prior periods.

4.8. Information related to other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	4.173	11.622
Provision expense for pension fund	256.713	230.498
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	456.813	168.150
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	140.661	101.640
Impairment expenses of equity participations for which equity method applied	-	-
Impairment expenses of assets held for resale	-	178
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	2.274.172	2.214.986
IFRS 16 exempt lease expenses	63.643	332.149
Repair and maintenance expenses	134.906	127.716
Advertising expenses	122.197	130.029
Other expense	1.953.426	1.625.092
Loss on sales of assets	180	-
Other	962.322	763.259
Total	**4.095.034**	**3.490.333**

4.9. Provision for taxes on income from continuing operations and discontinued operations:

The profit before tax includes TL 14.775.722 (December 31, 2018 – TL 13.942.015) of net interest income, TL 5.286.993 (December 31, 2018 – TL 4.016.348) of net fees and commissions expenses and other operating expense included personnel expenses amounting to TL 7.244.357 (December 31, 2018– TL 6.326.803).

As of December 31, 2019, the Bank has no (December 31, 2018– None) profit before tax from discontinued operations.

4.10. Provision for taxes on income from continuing operations and discontinued operations:

As of December 31, 2019, the Bank has TL 1.623.617 (December 31, 2018-TL 791.064) tax expense from continued operations, from discontinued operations none and deferred tax income from continued operations amounting to TL 884.741 (December 31, 2018– TL 397.001 deferred tax expense).

	Current Period	Prior Period
Profit before tax	4.338.936	5.855.491
Tax calculated at rate of 20%	954.566	1.288.208
Nondeductible expenses, discounts and other, net	(215.690)	(100.143)
Total	**738.876**	**1.188.065**

4.11. Information on net income/loss for the period:

4.11.1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Bank's current period performance.

4.11.2. The effect of the change in an estimate of financial statement items to profit / loss is not likely to affect subsequent periods

4.12. Other items in income statement:

"Other fees and commissions received" in income statement mainly includes commissions and fees from credit cards and banking transactions.

5. Explanations and notes related to statement of changes in shareholders' equity

5.1 Information on dividends:

Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

5.2 Information on increase/decrease amounts resulting from merger:

None.

5.3 Information on equity share premiums :

The details regarding property and equipment valuation differences are disclosed in section 3 note 19.

5.4 Explanations on property and equipment valuation differences:

The Bank adopted fair value accounting method for its buildings and art objects and paintings in tangible assets in accordance with TAS 16 " Property, Plant and Equipment". As of 31 December 2019, revaluation gain under shareholders' equity is amounting to TL 1.858.419 (31 December 2018 – TL 1.845.522).

5.5 Explanations related to employee rights liabilities:

Actuarial gains and losses in employee benefits provisions are accounted under equity. As of December 31, 2019 actuarial loss under shareholders' equity are amounting to TL 269.552 (31 December 2018 – TL 218.070).

5.6 Explanations on joint ventures accounted for using equity method:

Associates, subsidiaries and joint ventures are being carried at equity method as defined in " TAS 28 - Investments in Associates and Joint Ventures" in the unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as "Other accumulated comprehensive income that will not be reclassified in profit or loss" under equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and "Other accumulated comprehensive income that will not be reclassified in profit or loss" under the equity, respectively.

5.7 Explanations on financial assets at fair value through other comprehensive income:

"Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity until the related assets are impaired or disposed.

5.8 Hedging transactions :

The Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted in equity hedge funds, taking into account tax effects. Such amount as of December 31, 2019 is TL 1.462.792 profit (December 31, 2018 – 1.743.304 profit).

The Bank's Euro denominated borrowing is designated as a hedge of the net investment in the Bank's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2019 is EUR 452 million. (31 December 2018 is EUR 430 million)The foreign exchange loss of TL 1.158.208 net of tax, on translation of the borrowing to Turkish Lira at the statement of financial position date is recognized in "hedging reserves" in equity.(31 December 2018- 943.970 TL loss)

5.9 Information on share issue premium:

Other capital and profit reserves,in general, consist of legal reserves and extraordinary reserves.

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

6. Explanations and notes related to statement of cash flows:

6.1 Information on cash and cash equivalents:

6.1.1 Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as "Cash"; money market placements and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

6.1.2 Effect of a change in the accounting policies:

None.

6.1.3 Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

6.1.3.1 Cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	**35.514.148**	**14.430.478**
Cash and effectives	4.784.014	2.495.919
Demand deposits in banks	30.730.134	11.934.559
Cash equivalents	**7.307.599**	**7.159.223**
Interbank money market	112.773	816.790
Time deposits in banks	7.194.826	6.342.433
Total cash and cash equivalents	**42.821.747**	**21.589.701**

6.1.3.2 Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	**39.376.992**	**35.514.148**
Cash and effectives	4.508.447	4.784.014
Demand deposits in banks	34.868.545	30.730.134
Cash equivalents	**20.898.604**	**7.307.599**
Interbank money market	10.700.000	112.773
Time deposits in banks	10.198.604	7.194.826
Total cash and cash equivalents	**60.275.596**	**42.821.747**

6.2. Information on cash and cash equivalents those are not available for use due to legal limitations and other reasons:

As of 31 December, 2019 the cash and cash equivalents those are not available for use due to legal limitations and other reasons including reserve reqirements is amounting to TL 37.202.727 (December 31, 2018 – TL 44.079.142).

6.3. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:

Increase in "Other Account" amounting to TL 262.068 as of December 31, 2019 (December 31, 2018 – TL 57.562 increase), which is classified under "Operating profit before changes in operating assets and liabilities", includes mainly fee and commissions given, other operating expenses excluding personnel expenses, and foreign exchange gains/losses.

Increase in "Net increase/decrease in other liabilities" amounting to TL 4.078.744 as of December 31, 2019 (December 31, 2018 – TL 19.219 increase), mainly consist of changes in other debts and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 4.200.943 as of December 31, 2019 (December 31, 2018 – TL 14.526.803 increase).

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

7. Explanations and notes related to the Bank's risk group

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

7.1.1. Information on loans of the Bank's risk group:

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Bank's risk group [(1)(2)]	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans and other receivables						
Balance at the beginning of the period	501.490	386.993	555.560	1.351.956	3.764.564	4.092.153
Balance at the end of the period	288.721	94.447	801.666	1.199.169	2.559.620	3.147.488
Interest and commission income received	**58.234**	**2.976**	**29.577**	**8.267**	**447.520**	**23.895**

Prior Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Bank's risk group [(1)(2)]	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Loans and other receivables						
Balance at the beginning of the period	213.845	215.564	275.684	1.358.830	2.435.357	2.957.565
Balance at the end of the period	501.490	386.993	555.560	1.351.956	3.764.564	4.092.153
Interest and commission income received	**97.870**	**2.712**	**25.542**	**8.202**	**447.345**	**24.320**

(1) Defined in subsection 2 of the 49th article of the Banking Act No.5411.
(2) The information in table above includes marketable securities and due from banks as well as loans.

7.1.2. Information on deposits of the Bank's risk group:

Bank's risk group [(1)(2)]	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Deposit	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the period	2.798.132	3.193.655	32.464.212	23.274.293	21.548.350	17.865.257
End of the period	756.246	2.798.132	29.776.134	32.464.212	22.505.574	21.548.350
Interest expense on deposits	**60.964**	**272.047**	**2.379.592**	**2.280.419**	**1.357.147**	**1.037.526**

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
(2) The information in table above includes borrowings, financial liabilities fair value through profit and loss, marketable securities issued and repo transactions as well as deposits.

7.1.3. Information on forward and option agreements and other derivative instruments with the Bank's risk group:

Bank's risk group[(1)]	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Transactions at fair value through profit or loss						
Beginning of the period[(2)]	4.977.495	6.825.457	3.330.535	4.585.782	983.564	3.688.054
End of the period [(2)]	7.110.079	4.977.495	563.016	3.330.535	10.730.513	983.564
Total profit / (loss)	**669.963**	**(56.121)**	**(14.966)**	**(473.269)**	**58.698**	**(592.874)**
Transactions for hedging purposes						
Beginning of the period [(2)]	-	-	1.456.586	1.375.186	-	-
End of the period [(2)]	-	-	1.059.016	1.456.586	-	-
Total profit / (loss)	**-**	**-**	**9.016**	**106.586**	**-**	**-**

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.
(2) The Bank's derivative instruments are classified as "at Fair Value Through Profit or Loss" or "for Hedging Purposes" according to TAS 39.

7.1.4 Information regarding benefits provided to the Bank's top management:

Salaries and benefits paid to the Bank's top management amount to TL 76.528 as of December 31, 2019 (December 31, 2018 – TL 57.091).

8. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank:

	Number	Number of Employees			
Domestic Branch	845	16.628			
			Country of incorporation		
Foreign Rep. Office	-	-	-		
				Total asset	Statutory share capital
Foreign Branch	1	3	Bahrain	14.444.728	-
Off-Shore Banking Region Branch			-	-	-

9. Explanations and notes related to subsequent events:

According the Bank's Board of Directors resolution dated January 15, 2020, it has been decided to submit the amendment of the articles regarding the increase of the registered capital ceiling for approval in the first ordinary General Assembly to raise the upper limit of registered capital from TL 10.000.000 to TL 15.000.000 and in order to extend the permit provided for the upper limit of authorized capital from the end of 2020 until the end of 2024 after obtaining the necessary permissions.

Section Six - Other Explanations and Notes

1. Other explanations on the Bank's operations

None.

Section Seven - Explanations on independent audit report

1. Explanations on independent auditor's report

The unconsolidated financial statements for the period ended December 31, 2019 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's report dated, February 4, 2020 is presented preceding the unconsolidated financial statements.

2. Explanations and notes prepared by independent auditor

None.