

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I.
OF SECTION THREE)

BURGAN BANK A.Ş.

**PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES
TOGETHER WITH INDEPENDENT AUDIT REPORT
AT 31 DECEMBER 2018**

Convenience Translation of the Independent Auditor's Report Originally Issued in Turkish (See Note I in Section Three)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Burgan Bank Anonim Şirketi:

A) *Audit of Consolidated Financial Statements*

1) *Opinion*

We have audited the accompanying Consolidated financial statements of Burgan Bank A.Ş (the "Bank") and its subsidiaries (collectively referred as "The Group"), which comprise the statement of financial position as at December 31, 2018, and the consolidated statement of income, consolidated statement of income and expenses recognized under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and consolidated financial performance and consolidated its 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 Agency 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 "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated April 2, 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) *Key Audit Matters*

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

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<p><i>The effects of First-time adaptation of “IFRS 9 Financial Instruments” standard in the financial statements and accounting of impairment of financial assets in the financial statements, and its related outstanding explanations</i></p>	
<p>As disclosed in footnote XXIX of Section 3; the Bank started implementing IFRS 9 “Financial Instruments Standard” effective on or after January 1, 2018 and accounting the expected credit losses of financial in accordance with this standard in the financial statements effective on or after this date. The reasons we consider the IFRS 9 transition and its impairment of financial assets as a key audit matter;</p> <ul style="list-style-type: none"> ▪ Financial assets within balance-sheet and off-balance-sheet subject to IFRS 9 expected credit losses measurement have significant balance in the financial statements ▪ The effect of IFRS 9 transition in the Bank’s equity is 12% ▪ The applications IFRS 9 introduced are complex and comprehensive ▪ The classification of financial instruments based on the Bank’s business models and the characteristics of contractual cash flows in line with IFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows ▪ Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses ▪ The complexity and intensity of the control environment in the processes designed or reorganized together with the adoption of IFRS 9 ▪ Estimations and assumptions used in expected credit losses are new, important and complex ▪ Complex and comprehensive disclosure requirements of IFRS 9. 	<p>Our additional audit procedures in addition to our current audit procedures:</p> <ul style="list-style-type: none"> ▪ Evaluation of the compliance of the accounting policies adopted with regard to IFRS 9, the Bank’s past performance, and local and global practices ▪ Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists ▪ Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices ▪ Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Bank’s business model ▪ Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Bank’s historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis ▪ Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses ▪ Detailed testing of mathematical verification of expected credit losses’ calculation on a sample basis ▪ Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment ▪ Evaluating the necessity and accuracy of the updates made or required updates after the modeling process ▪ Auditing of disclosures related to IFRS 9.

<i>Derivative Financial Instruments</i>	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Section Five Note I.b.2.and Note II.b.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the Bank management fair value calculations of the selected derivative financial instruments and the assessment of used estimations and the judgements and testing the assessment of operating effectiveness of the key controls in the process of fair value determination.</p>

4) *Responsibilities of Management and Directors for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, management is responsible for assessing the Bank's and its subsidiaries 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 and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries' 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 and its subsidiaries' 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and its subsidiaries' to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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) Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 - December 31, 2018 are not in compliance with the TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Yaşar Bivas.

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section Three, accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, 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.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited



Yaşar Bivas SMMM
Partner

February 28, 2019

İstanbul, Türkiye

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

**THE CONSOLIDATED FINANCIAL AUDIT REPORT OF
BURGAN BANK A.Ş. AS OF 31 DECEMBER 2018**

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The consolidated financial audit report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

- **Section One** GENERAL INFORMATION ABOUT THE GROUP
- **Section Two** CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
- **Section Three** EXPLANATIONS ON ACCOUNTING POLICIES
- **Section Four** INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- **Section Five** EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** OTHER EXPLANATIONS
- **Section Seven** EXPLANATIONS ON INDEPENDENT AUDIT REPORT

Investments in associates, subsidiaries and joint ventures whose financial statements have been consolidated in this reporting package are as follows:

<u>Subsidiaries</u>	<u>Investment in Associates</u>	<u>Joint Ventures</u>
1. Burgan Finansal Kiralama A.Ş.	-	-
2. Burgan Yatırım Menkul Değerler A.Ş.	-	-
3. Burgan Wealth Limited	-	-

The accompanying consolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira, have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been audited.

28 February 2019

Faisal M.A. Al Radwan Chairman of the Board of Directors	Ali Murat DİNÇ Member of the Board of Directors and General Manager	Tuba Onay ERGELEN Acting Finance Group Head (Represent by proxy)	Ahmet CİĞA Head of Accounting, Tax, and Reporting Unit
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Halil CANTEKİN Head of the Audit Committee	Adrian Alejandro GOSTUSKI Member of the Audit Committee	Osama T. AL GHOUSSEIN Member of the Audit Committee
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Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname / Title : Ahmet CİĞA / Head of Accounting Tax and Reporting Unit
Telephone Number : 0 212 371 34 84
Fax Number : 0 212 371 42 48

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BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

I. PARENT BANK'S FOUNDATION DATE, START-UP STATUTE, HISTORY ABOUT THE CHANGES IN THIS MENTIONED STATUTE:

Tekfen Yatırım ve Finansman Bankası A.Ş. was established as an "investment bank" with the permission of the Council of Ministers No. 88/13253 on 26 August 1988 and authorised to conduct finance investment and foreign trade activities. Banking operations commenced on 7 August 1989.

Bank Ekspres A.Ş. ("Bank Ekspres") was established with the permission of the Council of Ministers in decision No. 91/2316 on 22 September 1991; "The Decree of Establishment Permission" was published in the Official Gazette numbered 21017 and dated 10 October 1991. The Articles of Association was published in the Trade Registry Gazette numbered 2969 and dated 18 February 1992. The Turkish Savings Deposit and Insurance Fund ("SDIF") took over the management of Bank Ekspres A.Ş. due to the poor fiscal structure of the bank on 23 October 1998.

According to the Share Transfer Agreement signed between the SDIF and Tekfen Holding A.Ş. on 30 June 2001, 2.983.800.000 shares with a nominal value of Kr1 each and which amount to 99,46% of the capital of Bank Ekspres A.Ş. under the control of the SDIF in accordance with Banking Law were transferred to Tekfen Holding A.Ş.. Based on this agreement, the acquisition of Tekfen Yatırım ve Finansman Bankası A.Ş., where Tekfen Holding A.Ş. owns 57,69% of the Bank, by Bank Ekspres A.Ş. was permitted by the Banking Regulation and Supervision Agency's ("BRSA") decision numbered 489 dated 18 October 2001. The share transfers were realised on 26 October 2001 and the bank's name was changed to Tekfenbank Anonim Şirketi (the "Bank"), which had two main shareholders: Tekfen Holding A.Ş. with 57,30% and TST International S.A. with 40,62%.

EFG Eurobank Ergasias S.A. ("Eurobank EFG") and Tekfen Holding A.Ş. ("Tekfen Group") signed an agreement as of 8 May 2006, that anticipated Eurobank EFG to purchase Tekfen Group's 70% share in Tekfenbank and Tekfen Leasing which is fully owned by Tekfenbank; where Tekfen Group retained its strategic partnership by keeping all remaining shares. On 23 February 2007, the sale of Tekfenbank A.Ş. to Eurobank EFG Holding (Luxembourg) S.A. ("Eurobank EFG Holding") was approved by the BRSA and the sale was completed after the share transfer on 16 March 2007.

Under the agreement regarding the sale of Eurobank Ergasias S.A.'s Turkey operations to Burgan Bank K.P.S.C., 70% of the bank shares belonging to Eurobank EFH Holding (Luxemburg) S.A. and 29,26% of the shares belonging to Tekfen Holding A.Ş. are bought by Burgan Bank K.P.S.C. in 7 December 2012 in accordance with the Banking Regulation and Supervision Agency's authorization, and then 99,26% of the bank shares are turned over to Burgan Bank K.P.S.C. in 21 December 2012.

At the Extraordinary Board of Directors meeting on 23 January 2013, the title of the bank has been decided to change from Eurobank Tekfen A.Ş. to Burgan Bank A.Ş. ("the Bank"), and has been registered to the Turkish Trade Registry as of 25 January 2013.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

GENERAL INFORMATION ABOUT THE GROUP (Continued):

II. EXPLANATIONS ABOUT THE PARENT BANK’S CAPITAL STRUCTURE, SHAREHOLDERS OF THE PARENT BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE PARENT BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE PARENT BANK BELONGS TO:

The Bank’s registered capital ceiling is 4 billion full TL.

During the capital increase process following the Board of Directors’ decisions dated 15 December 2017, 14 January 2018 and 21 February 2018, rights of preference amounting to TL 285.295.806,45 has been used and the Bank’s capital has been registered as TL 1.185.295.806,45 at 26 March 2018.

Following the Board of Directors’ decision dated 30 May 2018, the Bank’s total capital has been increased by TL 349.704.193,55, with this increase capital previously amounting to TL 1.185.295.806,45 has been increased to full TL 1.535.000.000. The main shareholder capital participation fee amounting to TL 347.647.411,43 has been collected as cash and the following amount has been transferred to the Bank’s capital account with the permission of the BRSA as of 13 June 2018. The rights of preference usage process has been completed and the Bank’s capital amounting to full TL 1.535.000.000 has been registered as of 8 August 2018.

The upper limit of registered capital of 2 billion TL has increased to 4 billion TL as a decision of Board of Directors in 3 October 2018. Change of the upper limit of registered capital was executed with the permission of BRSA in 17 November 2018.

There is no change in the Bank’s shareholder structure, except for the effects of the capital increase during the year.

Founded in 1977, Burgan Bank K.P.S.C. (formerly Burgan Bank S.A.K), as an affiliate of KIPCO Group (Kuwait Projects Company), one of the largest holding groups of the Middle East and North Africa (MENA) region, is among the significant banking groups in the region. Besides Kuwait, Burgan Bank Group also operates as a main shareholder with its affiliate banks in Algeria (Gulf Bank Algeria), Iraq (Bank of Baghdad) and Tunisia (Tunis International Bank).

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BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

GENERAL INFORMATION ABOUT THE GROUP (Continued):

III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS:

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board of Directors:	Faisal M.A. Al Radwan	Chairman of Board of Directors	Undergraduate
Board of Directors Members:	Eduardo Eguren Linsen	Member	Undergraduate
	Majed E.A.A. Al Ajeel	Member	Graduate
	Adrian Alejandro Gostuski	Member	Graduate
	Mehmet Alev Göçmez	Member	Graduate
	Halil Cantekin	Member	Undergraduate
	Osama T. Al Ghousein	Member	Undergraduate
	Ali Murat Dinç	Member and General Manager	Graduate
General Manager:	Ali Murat Dinç	Member and General Manager	Graduate
Vice General Managers: (*)	Esra Aydın	Operations & Management Services	Undergraduate
	Mutlu Akpara	Treasury, Capital Markets and Financial Institutions	Graduate
	Cihan Vural	Internal Systems	Undergraduate
	Rasim Levent Ergin	Human Resources	Graduate
	Suat Kerem Sözügüzel	Commercial Banking	Undergraduate
	Hasan Hüseyin Uyar	Loans	Graduate
	Tuba Onay Ergelen	Financial Affairs (represent by proxy)	Undergraduate
	Hasan Ufuk Dinç	Digital Banking and Information Technologies	Graduate
Audit Committee:	Halil Cantekin	Committee President	Undergraduate
	Adrian Alejandro Gostuski	Member	Graduate
	Osama T. Al Ghousein	Member	Undergraduate

(*) The Vice General Manager of Financial Affairs, Mehmet Yalçın, resigned from this position on 2 November 2018, Tuba Onay Ergelen, Head of Strategic Planning and Corporate Communications Group, represents by proxy in this position. Hasan Ufuk Dinç was appointed as Executive Vice President in charge of Digital Banking and Information Technologies on 19 November 2018. Hüseyin Cem Öge, Executive Vice President in charge of Corporate Banking, resigned from his position on 6 February 2019 and Suat Kerem Sözügüzel has been assigned to the Corporate Banking Group Assistant General Manager.

There is no share of the above individuals in the Parent Bank.

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BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

GENERAL INFORMATION ABOUT THE GROUP (Continued):

IV. EXPLANATION ON SHAREHOLDERS HAVING CONTROL SHARES IN THE PARENT BANK:

Name/Commercial title	Share Amounts	Share percentage	Paid-in Capital	Unpaid portion
Burgan Bank K.P.S.C.	1.525.972	99,41%	99,41%	-

Based on the Principal Agreement, the Bank has 1 million founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

V. INFORMATION ON THE PARENT BANK'S SERVICE TYPE AND FIELD OF OPERATIONS:

As of 31 December 2018, the Parent Bank, whose headquarter located in İstanbul, has 41 branches operating in Turkey (31 December 2017: 43). The Parent Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 31 December 2018, the Group has 1.090 (31 December 2017: 1.062) employees.

VI. CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES:

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

- I. Consolidated balance sheet (Statement of financial position)
- II. Consolidated off-balance sheet commitments
- III. Consolidated income statement
- IV. Consolidated statement of income and expense items accounted in equity
- V. Consolidated statement of changes in shareholders' equity
- VI. Consolidated statement of cash flows
- VII. Statement of profit appropriation

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2018

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

I. BALANCE SHEET	Note (Section Five)	(31/12/2018)		
		TL	FC	Total
ASSETS				
I. FINANCIAL ASSETS (Net)	I-a	2.479.067	2.261.427	4.740.494
I.1 Cash and cash equivalents		1.385.545	1.566.479	2.952.024
1.1.1 Cash and balances at Central Bank	I-a	1.373.278	1.373.138	2.746.416
1.1.2 Banks	I-c	3.267	193.341	196.608
1.1.3 Receivables from Money Markets		9.000	-	9.000
I.2 Financial assets at fair value through profit or loss	I-b	1.117	11.654	12.771
1.2.1 Public debt securities		1.117	10.938	12.055
1.2.2 Equity instruments		-	-	-
1.2.3 Other financial assets		-	716	716
I.3 Financial assets at fair value through other comprehensive income	I-d	258.862	134.287	393.149
1.3.1 Public debt securities		248.906	134.287	383.193
1.3.2 Equity instruments		9.456	-	9.456
1.3.3 Other financial assets		500	-	500
I.4 Financial assets measured at amortized cost	I-g		236.801	236.801
1.4.1 Public debt securities		-	236.801	236.801
1.4.2 Other financial assets		-	-	-
I.5. Derivative financial assets	I-l	833.993	312.206	1.146.199
1.5.1 Derivative financial assets at fair value through profit or loss		197.765	283.466	481.231
1.5.2 Derivative financial assets at fair value through other comprehensive income		636.228	28.740	664.968
I.6 Non-performing financial assets				
I.7 Allowance for expected credit losses (-)		450		450
II. LOANS (Net)	I-e	5.975.521	10.813.680	16.789.201
2.1 Loans		4.999.667	8.999.987	13.999.654
2.1.1 Loans measured at amortized cost		4.999.667	8.999.987	13.999.654
2.1.2 Loans at fair value through profit or loss		-	-	-
2.1.3 Loans at fair value through other comprehensive income		-	-	-
2.2 Receivables from leasing transactions	I-k	452.331	2.162.180	2.614.511
2.2.1 Finance lease receivables		641.609	2.557.632	3.199.241
2.2.2 Operational lease receivables		-	-	-
2.2.3 Unearned income (-)		189.278	395.452	584.730
2.3. Factoring receivables	I-e	7		7
2.3.1 Factoring receivables measured at amortized cost		7	-	7
2.3.2 Factoring receivables at fair value through profit or loss		-	-	-
2.3.3 Factoring receivables at fair value through other comprehensive income		-	-	-
2.4 Non-performing loans		836.177	34.821	870.998
2.5 Allowance for expected credit losses (-)	I-e	312.661	383.308	695.969
2.5.1 12-Month expected credit losses (Stage 1)		21.062	92.390	113.452
2.5.2 Significant increase in credit risk (Stage 2)		32.055	289.011	321.066
2.5.3 Credit-Impaired (Stage 3)		259.544	1.907	261.451
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	I-o	113.385		113.385
3.1 Held for sale		113.385	-	113.385
3.2 Held from discontinued operations		-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES				
4.1 Investments in associates (Net)	I-h			
4.1.1 Associates accounted by using equity method		-	-	-
4.1.2 Non-consolidated associates		-	-	-
4.2. Investments in subsidiaries (Net)	I-i			
4.2.1 Non-consolidated financial subsidiaries		-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		-	-	-
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)	I-j			
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-
V. TANGIBLE ASSETS (Net)		63.737		63.737
VI. INTANGIBLE ASSETS AND GOODWILL (Net)		45.003		45.003
6.1 Goodwill		-	-	-
6.2 Other		45.003	-	45.003
VII. INVESTMENT PROPERTIES (Net)	I-m			
VIII. CURRENT TAX ASSETS		15.757		15.757
IX. DEFERRED TAX ASSETS	I-n	22.960		22.960
X. OTHER ASSETS	I-p	147.867	90.461	238.328
TOTAL ASSETS		8.863.297	13.165.568	22.028.865

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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2017

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

I. BALANCE SHEET	Note (Section Five)	(31/12/2017)		
		TL	FC	Total
ASSETS				
I. CASH AND BALANCES WITH CENTRAL BANK	I-a	1.034.438	992.902	2.027.340
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)	I-b	71.256	72.683	143.939
2.1 Trading Financial Assets		71.256	72.683	143.939
2.1.1 Government Debt Securities		2.342	2.968	5.310
2.1.2 Share Certificates		-	-	-
2.1.3 Trading Derivative Financial Assets		68.812	69.584	138.396
2.1.4 Other Marketable Securities		102	131	233
2.2 Financial Assets Designated at Fair Value through Profit or Loss		-	-	-
2.2.1 Government Debt Securities		-	-	-
2.2.2 Share Certificates		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other Marketable Securities		-	-	-
III. BANKS	I-c	176	168.553	168.729
IV. MONEY MARKETS		11.000	-	11.000
4.1 Interbank Money Market Placements		-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		11.000	-	11.000
4.3 Receivables from Reverse Repurchase Agreements		-	-	-
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	I-d	180.900	95.695	276.595
5.1 Share Certificates		8.929	-	8.929
5.2 Government Debt Securities		171.251	95.695	266.946
5.3 Other Marketable Securities		720	-	720
VI. LOANS	I-e	5.852.278	7.434.460	13.286.738
6.1 Loans		5.676.699	7.434.460	13.111.159
6.1.1 Loans to Bank's Risk Group		21	6	27
6.1.2 Government Debt Securities		-	-	-
6.1.3 Other		5.676.678	7.434.454	13.111.132
6.2 Loans under Follow-up		394.852	-	394.852
6.3 Specific Provisions (-)		219.273	-	219.273
VII. FACTORING RECEIVABLES	I-e	6	-	6
VIII. HELD-TO-MATURITY SECURITIES (Net)	I-g	-	171.218	171.218
8.1 Government Debt Securities		-	171.218	171.218
8.2 Other Marketable Securities		-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	I-h	-	-	-
9.1 Consolidated Based on Equity Method		-	-	-
9.2 Unconsolidated		-	-	-
9.2.1 Financial Investments in Associates		-	-	-
9.2.2 Non-financial Investments in Associates		-	-	-
X. SUBSIDIARIES (Net)	I-i	-	-	-
10.1 Unconsolidated Financial Subsidiaries		-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		-	-	-
XI. JOINT VENTURES (Net)	I-j	-	-	-
11.1 Consolidated Based on Equity Method		-	-	-
11.2 Unconsolidated		-	-	-
11.2.1 Financial Joint Ventures		-	-	-
11.2.2 Non-Financial Joint Ventures		-	-	-
XII. LEASE RECEIVABLES (Net)	I-k	443.385	1.528.493	1.971.878
12.1 Financial Lease Receivables		610.820	1.798.268	2.409.088
12.2 Operational Lease Receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned Income (-)		167.435	269.775	437.210
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	I-l	257.159	12.141	269.300
13.1 Fair Value Hedge		-	-	-
13.2 Cash Flow Hedge		257.159	12.141	269.300
13.3 Foreign Net Investment Hedge		-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)		70.754	1.346	72.100
XV. INTANGIBLE ASSETS (Net)		46.437	871	47.308
15.1 Goodwill		-	-	-
15.2 Other		46.437	871	47.308
XVI. INVESTMENT PROPERTY (Net)	I-m	-	-	-
XVII. TAX ASSET	I-n	21.029	-	21.029
17.1 Current Tax Asset		6.930	-	6.930
17.2 Deferred Tax Asset		14.099	-	14.099
XVIII. ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	I-o	45.095	-	45.095
18.1 Held for Resale		45.095	-	45.095
18.2 Discontinued Operations		-	-	-
XIX. OTHER ASSETS	I-p	85.433	156.990	242.423
TOTAL ASSETS		8.119.346	10.635.352	18.754.698

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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2018

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

I. BALANCE SHEET	Note (Section Five)	(31/12/2018)		
		TL	FC	Total
LIABILITIES				
I. DEPOSITS	II-a	4.150.781	5.764.519	9.915.300
II. LOANS RECEIVED	II-c	128.809	6.731.798	6.860.607
I. MONEY MARKET FUNDS		8.922	171.306	180.228
II. MARKETABLE SECURITIES (Net)	II-d	-	-	-
4.1 Bills		-	-	-
4.2 Asset backed securities		-	-	-
4.3 Bonds		-	-	-
V. FUNDS		-	-	-
5.1 Borrower funds		-	-	-
5.2 Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	II-b	256.757	102.441	359.198
7.1 Derivative financial liabilities at fair value through profit or loss		196.855	92.070	288.925
7.2 Derivative financial liabilities at fair value through other comprehensive income		59.902	10.371	70.273
VIII. FACTORING PAYABLES		-	-	-
IX. LEASE PAYABLES	II-f	-	-	-
9.1 Finance lease payables		-	-	-
9.2 Operating lease payables		-	-	-
9.3 Other		-	-	-
9.4 Deferred finance lease expenses (-)		-	-	-
X. PROVISIONS	II-h	65.166	26.497	91.663
10.1 Provision for restructuring		-	-	-
10.2 Reserves for employee benefits		46.777	-	46.777
10.3 Insurance technical reserves (Net)		-	-	-
10.4 Other provisions		18.389	26.497	44.886
XI. CURRENT TAX LIABILITIES	II-i	29.570	-	29.570
XII. DEFERRED TAX LIABILITIES		6.203	-	6.203
LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)	II-j	-	-	-
XIII.		-	-	-
13.1 Held for sale		-	-	-
13.2 Related to discontinued operations		-	-	-
XIV. SUBORDINATED DEBT	II-k	-	1.599.472	1.599.472
14.1 Loans		-	1.599.472	1.599.472
14.2 Other debt instruments		-	-	-
XV. OTHER LIABILITIES	II-e	202.453	908.191	1.110.644
XVI. SHAREHOLDERS' EQUITY	II-l	1.872.094	3.886	1.875.980
16.1 Paid-in capital		1.535.000	-	1.535.000
16.2 Capital reserves		(99)	-	(99)
16.2.1 Equity share premiums		-	-	-
16.2.2 Share cancellation profits		-	-	-
16.2.3 Other capital reserves		(99)	-	(99)
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		16.552	-	16.552
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		60.028	3.886	63.914
16.5 Profit reserves		273.197	-	273.197
16.5.1 Legal reserves		21.402	-	21.402
16.5.2 Statutory reserves		-	-	-
16.5.3 Extraordinary reserves		251.795	-	251.795
16.5.4 Other profit reserves		-	-	-
16.6 Profit or loss		(12.584)	-	(12.584)
16.6.1 Prior years' profits or losses		(174.343)	-	(174.343)
16.6.2 Current period net profit or loss		161.759	-	161.759
16.7 Minority share		-	-	-
TOTAL EQUITY AND LIABILITIES		6.720.755	15.308.110	22.028.865

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**BURGAN BANK A.Ş.
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2017**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. BALANCE SHEET	Note (Section Five)	(31/12/2017)		
		TL	FC	Total
LIABILITIES				
I. DEPOSITS	II-a	3.488.744	5.383.727	8.872.471
1.1 Deposits of Bank’s Risk Group		3.773	27.375	31.148
1.2 Other		3.484.971	5.356.352	8.841.323
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	II-b	70.586	90.192	160.778
III. BORROWINGS	II-c	205.805	5.876.957	6.082.762
IV. MONEY MARKETS		57.263	198.953	256.216
4.1 Funds from Interbank Money Market		-	-	-
4.2 Funds from Istanbul Stock Exchange Money Market		36.971	-	36.971
4.3 Funds Provided Under Repurchase Agreements		20.292	198.953	219.245
V. MARKETABLE SECURITIES ISSUED (Net)	II-d			
5.1 Bills		-	-	-
5.2 Asset Backed Securities		-	-	-
5.3 Bonds		-	-	-
VI. FUNDS				
6.1 Borrower Funds		-	-	-
6.2 Other		-	-	-
VII. MISCELLANEOUS PAYABLES		54.526	299.381	353.907
VIII. OTHER LIABILITIES	II-e	49.359	4.508	53.867
IX. FACTORING PAYABLES				
X. LEASE PAYABLES (Net)	II-f			
10.1 Financial Lease Payables		-	-	-
10.2 Operational Lease Payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES	II-g	40.807	13.168	53.975
11.1 Fair Value Hedge		-	-	-
11.2 Cash Flow Hedge		40.807	13.168	53.975
11.3 Foreign Net Investment Hedge		-	-	-
XII. PROVISIONS	II-h	108.984	89.083	198.067
12.1 General Loan Loss Provision		42.716	64.850	107.566
12.2 Restructuring Provisions		-	-	-
12.3 Reserve for Employee Rights		36.513	-	36.513
12.4 Insurance Technical Provisions (Net)		-	-	-
12.5 Other Provisions		29.755	24.233	53.988
XIII. TAX LIABILITY	II-i	69.598		69.598
13.1 Current Tax Liability		36.117	-	36.117
13.2 Deferred Tax Liability		33.481	-	33.481
XIV. PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	II-j			
14.1 Held for Resale		-	-	-
14.2 Discontinued Operations		-	-	-
XV. SUBORDINATED LOANS	II-k		1.140.582	1.140.582
XVI. SHAREHOLDERS' EQUITY	II-l	1.506.245	6.230	1.512.475
16.1 Paid-in Capital		1.185.000	-	1.185.000
16.2 Capital Reserves		46.635	6.230	52.865
16.2.1 Share Premium		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Marketable Securities Valuation Reserve		(2.366)	(143)	(2.509)
16.2.4 Tangible Assets Revaluation Reserve		18.075	-	18.075
16.2.5 Intangible Assets Revaluation Reserve		-	-	-
16.2.6 Investment Property Revaluation Reserve		-	-	-
16.2.7 Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-
16.2.8 Hedging Reserves (Effective portion)		33.883	6.373	40.256
16.2.9 Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-
16.2.10 Other Capital Reserves		(2.957)	-	(2.957)
16.3 Profit Reserves		164.762	-	164.762
16.3.1 Legal Reserves		21.342	-	21.342
16.3.2 Status Reserves		-	-	-
16.3.3 Extraordinary Reserves		143.420	-	143.420
16.3.4 Other Profit Reserves		-	-	-
16.4 Income or (Loss)		109.848	-	109.848
16.4.1 Prior Years' Income or (Loss)		-	-	-
16.4.2 Current Year Income or (Loss)		109.848	-	109.848
16.5 Minority Shares		-	-	-
TOTAL LIABILITIES		5.651.917	13.102.781	18.754.698

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BURGAN BANK A.Ş.
CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

II.	OFF-BALANCE SHEET	Note (Section Five)	(31/12/2018)			(31/12/2017)		
			TL	FC	Total	TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		6.320.271	31.644.654	37.964.925	6.458.999	29.277.926	35.736.925
I.	GUARANTEES AND WARRANTIES	III-a-2-3	597.086	1.722.881	2.319.967	759.513	1.359.136	2.118.649
1.1	Letters of Guarantee		596.675	1.089.509	1.686.184	756.055	983.997	1.740.052
1.1.1	Guarantees Subject to State Tender Law		10.249	3.643	13.892	7.251	4.124	11.375
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		586.426	1.085.866	1.672.292	748.804	979.873	1.728.677
1.2	Bank Acceptances		411	102.926	103.337	3.430	104.336	107.766
1.2.1	Import Letter of Acceptance		411	102.926	103.337	3.430	104.336	107.766
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	385.116	385.116	-	234.673	234.673
1.3.1	Documentary Letters of Credit		-	385.116	385.116	-	234.673	234.673
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Pre-financing 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	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	28	-	28
1.8	Other Guarantees		-	145.330	145.330	-	36.130	36.130
1.9	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	III-a-1	409.255	299.806	709.061	526.202	143.301	669.503
2.1	Irrevocable Commitments		409.255	299.806	709.061	526.202	143.301	669.503
2.1.1	Asset Purchase and Sales Commitments		257.670	299.806	557.476	48.666	143.301	191.967
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	14.997	-	14.997
2.1.4	Commitments for Loan Limits		77.343	-	77.343	109.606	-	109.606
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		74.242	-	74.242	334.480	-	334.480
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		-	-	-	18.445	-	18.445
2.1.10	Promotion Commitments for Credit Cards and Banking Services		-	-	-	8	-	8
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		-	-	-	-	-	-
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	III-b	5.313.930	29.621.967	34.935.897	5.173.284	27.775.489	32.948.773
3.1	Hedging Derivative Financial Instruments		1.083.828	5.645.797	6.729.625	885.008	3.717.356	4.602.364
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		1.083.828	5.645.797	6.729.625	885.008	3.717.356	4.602.364
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		4.230.102	23.976.170	28.206.272	4.288.276	24.058.133	28.346.409
3.2.1	Forward Foreign Currency Buy/Sell Transactions		757.320	664.439	1.421.759	775.618	1.126.557	1.902.175
3.2.1.1	Forward Foreign Currency Transactions-Buy		124.973	532.250	657.223	467.722	488.540	956.262
3.2.1.2	Forward Foreign Currency Transactions-Sell		632.347	132.189	764.536	307.896	638.017	945.913
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		1.245.181	18.032.660	19.277.841	1.084.832	16.884.296	17.969.128
3.2.2.1	Foreign Currency Swap-Buy		948.271	4.312.360	5.260.631	80.961	4.948.530	5.029.491
3.2.2.2	Foreign Currency Swap-Sell		296.910	4.746.372	5.043.282	1.003.871	4.076.216	5.080.087
3.2.2.3	Interest Rate Swap-Buy		-	4.486.964	4.486.964	-	3.929.775	3.929.775
3.2.2.4	Interest Rate Swap-Sell		-	4.486.964	4.486.964	-	3.929.775	3.929.775
3.2.3	Foreign Currency, Interest rate and Securities Options		2.227.601	5.279.071	7.506.672	2.427.826	6.047.280	8.475.106
3.2.3.1	Foreign Currency Options-Buy		528.333	3.150.835	3.679.168	1.259.407	2.980.038	4.239.445
3.2.3.2	Foreign Currency Options-Sell		1.699.268	2.128.236	3.827.504	1.168.419	3.067.242	4.235.661
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
3.3	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		37.264.918	43.505.919	80.770.837	35.877.172	27.091.207	62.968.379
IV.	ITEMS HELD IN CUSTODY		1.025.971	385.612	1.411.583	1.740.277	156.878	1.897.155
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		333.358	182.180	515.538	589.876	61.908	651.784
4.3	Cheques Received for Collection		673.437	83.592	757.029	1.126.344	63.782	1.190.126
4.4	Commercial Notes Received for Collection		19.176	22.820	41.996	24.057	23.000	47.057
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	97.020	97.020	-	8.188	8.188
4.8	Custodians		-	-	-	-	-	-
V.	PLEDGES RECEIVED		36.238.947	43.120.307	79.359.254	34.136.895	26.933.082	61.069.977
5.1	Marketable Securities		56.132	-	56.132	1.031	-	1.031
5.2	Guarantee Notes		22.275.449	17.248.376	39.523.825	21.097.082	12.190.553	33.287.635
5.3	Commodity		886.897	660.754	1.547.651	-	7.706	1.029.843
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		11.509.609	20.785.740	32.295.349	11.316.848	11.273.823	22.590.671
5.6	Other Pledged Items		1.510.860	4.425.437	5.936.297	699.797	3.461.000	4.160.797
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	1.247	1.247
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			43.585.189	75.150.573	118.735.762	42.336.171	56.369.133	98.705.304

The accompanying explanations and notes form an integral part of these financial statements

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2018

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

III. INCOME STATEMENT	Note	01/01/2018-31/12/2018
INCOME AND EXPENSE ITEMS	(Section Five)	
I. INTEREST INCOME	IV-a	2.547.733
1.1 Interest on loans		1.653.445
1.2 Interest received from reserve deposits		38.792
1.3 Interest received from banks		78.534
1.4 Interest received from money market transactions		76.599
1.5 Interest received from marketable securities portfolio		48.294
1.5.1 Financial assets at fair value through profit or loss		1.466
1.5.2 Financial assets at fair value through other comprehensive income		36.104
1.5.3 Financial assets measured at amortized cost		10.724
1.6 Finance lease income		207.749
1.7 Other interest income	IV-k	444.320
II. INTEREST EXPENSES (-)	IV-b	1.817.901
2.1 Interest on deposits		998.247
2.2 Interest on funds borrowed		399.275
2.3 Interest on money market transactions		10.031
2.4 Interest on securities issued		-
2.5 Other interest expenses	IV-k	410.348
III. NET INTEREST INCOME/EXPENSE (I - II)		729.832
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		32.164
4.1 Fees and commissions received		50.170
4.1.1 Non-cash loans		23.369
4.1.2 Other	IV-k	26.801
4.2 Fees and commissions paid (-)		18.006
4.2.1 Non-cash loans (-)		296
4.2.2 Other (-)	IV-k	17.710
V. PERSONNEL EXPENSES (-)		193.265
VI. DIVIDEND INCOME		700
VII. TRADING PROFIT/LOSS (Net)	IV-c	71.823
7.1 Profit/losses from capital market transactions		2.446
7.2 Profit/losses from derivative financial transactions		(2.413)
7.3 Foreign exchange profit/losses		71.790
VIII. OTHER OPERATING INCOME	IV-d	37.227
IX. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		678.481
X. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	IV-e	259.205
XI. OTHER OPERATING EXPENSES (-)	IV-f	210.212
XII. NET OPERATING PROFIT/LOSS (IX-X-XI)		209.064
XIII. SURPLUS WRITTEN AS GAIN AFTER MERGER		-
XIV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-
XV. NET MONETARY POSITION GAIN/LOSS		-
XVI. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	IV-g	209.064
XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	IV-h	(47.305)
17.1 Current tax provision		10.389
17.2 Expense effect of deferred tax (+)		147.673
17.3 Income effect of deferred tax (-)		110.757
XVII. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	IV-i	161.759
XIX. INCOME FROM DISCONTINUED OPERATIONS		-
19.1 Income from assets held for sale		-
19.2 Profit from sale of associates, subsidiaries and joint ventures		-
19.3 Other income from discontinued operations		-
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
20.1 Expenses on assets held for sale		-
20.2 Losses from sale of associates, subsidiaries and joint ventures		-
20.3 Other expenses from discontinued operations		-
XXI. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)		-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1 Current tax provision		-
22.2 Expense effect of deferred tax (+)		-
22.3 Income effect of deferred tax (-)		-
XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV. NET PROFIT/LOSSES (XVIII+XXIII)	IV-j	161.759
24.1 Group's profit/loss		161.759
24.2 Minority shares profit/loss (-)		-
Profit/Loss per share (1.000 nominal in full TL)		1,173

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes form an integral part of these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2017

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

III.	INCOME STATEMENT INCOME AND EXPENSE ITEMS	Note (Section Five)	01/01/2017-31/12/2017
I.	INTEREST INCOME	IV-a	1.573.350
1.1	Interest on Loans		1.130.211
1.2	Interest Received from Reserve Requirements		20.438
1.3	Interest Received from Banks		26.889
1.4	Interest Received from Money Market Transactions		3.156
1.5	Interest Received from Marketable Securities Portfolio		42.385
1.5.1	Trading Financial Assets		4.783
1.5.2	Financial Assets at Fair Value through Profit or Loss		-
1.5.3	Available-for-sale Financial Assets		30.300
1.5.4	Held-to-maturity Investments		7.302
1.6	Financial Lease Income		133.870
1.7	Other Interest Income	IV-k	216.401
II.	INTEREST EXPENSE (-)	IV-b	1.061.478
2.1	Interest on Deposits		564.083
2.2	Interest on Funds Borrowed		215.754
2.3	Interest Expense on Money Market Transactions		18.760
2.4	Interest on Securities Issued		1.436
2.5	Other Interest Expenses	IV-k	261.445
III.	NET INTEREST INCOME (I + II)		511.872
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		40.723
4.1	Fees and Commissions Received		50.831
4.1.1	Non-cash Loans		18.371
4.1.2	Other	IV-k	32.460
4.2	Fees and Commissions Paid (-)		10.108
4.2.1	Non-cash Loans (-)		496
4.2.2	Other (-)	IV-k	9.612
V.	DIVIDEND INCOME		330
VI.	TRADING INCOME/(LOSS) (Net)	IV-c	17.615
6.1	Trading Gains/(Losses) on Securities		3.313
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		19.123
6.3	Foreign Exchange Gains/(Losses)		(4.821)
VII.	OTHER OPERATING INCOME	IV-d	28.633
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		599.173
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-e	93.512
X.	OTHER OPERATING EXPENSES (-)	IV-f	357.445
XI.	NET OPERATING INCOME/(LOSS) (VIII+IX+X)		148.216
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-
XIII.	INCOME/(LOSS) ON NET MONETARY POSITION		-
XIV.	INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)	IV-g	148.216
XV.	TAX PROVISION FOR CONTINUING OPERATIONS (-)	IV-h	38.368
16.1	Current Tax Provision		29.472
16.2	Deferred Tax Provision		8.896
XVII.	NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV+XVI)	IV-i	109.848
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-
18.1	Income from Non-Current Assets Held for Resale		-
18.2	Sale Income from Associates, Subsidiaries and Joint Ventures		-
18.3	Other Income from Discontinued Operations		-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
19.1	Expense from Non-Current Assets Held for Resale		-
19.2	Sale Losses from Associates, Subsidiaries and Joint Ventures		-
19.3	Other Expenses from Discontinued Operations		-
XX.	INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII+XIX)		-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (-)		-
21.1	Current tax provision		-
21.2	Deferred tax provision		-
XXII.	NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX+XXI)		-
XXIII.	NET INCOME/(LOSS) (XVII+XXII)	IV-j	109.848
	Earnings/(Loss) per share (1.000 nominal in TL full)		1.219

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY		31/12/2018
I.	CURRENT PERIOD INCOME/LOSS	161.759
II.	OTHER COMPREHENSIVE INCOME	27.785
2.1	Other comprehensive income not to be reclassified to profit or loss in subsequent periods.	1.618
2.1.1	Revaluation Differences of Tangible Assets	1.724
2.1.2	Revaluation Differences of Intangible Assets	-
2.1.3	Defined benefit plans re-measurement gains/losses	106
2.1.4	Other comprehensive income not to be reclassified to profit or loss	-
2.1.5	Income tax relating to components of other comprehensive income not to be reclassified to profit or loss	(212)
2.2	Other comprehensive income to be reclassified to profit or loss in subsequent periods:	26.167
2.2.1	Exchange differences on translation of foreign operations	3.965
2.2.2	Gains or losses on valuation or reclassification arising from financial assets at fair value through other comprehensive income	(24.049)
2.2.3	Gains or losses arising on cash flow hedges	52.513
2.2.4	Gains or losses arising on net investment hedges	-
2.2.5	Other comprehensive income to be reclassified to profit or loss	-
2.2.6	Income tax relating to components of other comprehensive income to be reclassified to profit or loss	(6.262)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	189.544

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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BURGAN BANK A.Ş.

CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE 31 DECEMBER 2017

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	31/12/2017
I. ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	5.816
II. REVALUATION DIFFERENCES OF TANGIBLE ASSETS	150
III. REVALUATION DIFFERENCES OF INTANGIBLE ASSETS	-
IV. FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-
V. INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	24.217
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS	(828)
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	694
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(4.980)
X. NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	25.069
XI. CURRENT PERIOD INCOME/LOSS	109.848
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	1.946
11.2 Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-
11.3 Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-
11.4 Other	107.902
XII. TOTAL (INCOME)/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	134.917

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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2018

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY						Other comprehensive income not to be reclassified to profit or loss			Other comprehensive income to be reclassified to profit or loss								
						1	2	3	4	5	6	Profit Reserves	Prior Period Profit or Loss	Current Period Net Income or Loss	Total Shareholders' Equity Except from Minority Interest	Minority Interest	Total Shareholder's Equity
CURRENT PERIOD 31/12/2018	Note (Section Five)	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Reserves												
I. Prior Period End Balance (31/12/2017)	II-I	1.185.000	-	-	184	18.075	(3.141)	-	1.705	(4.214)	40.256	164.762	109.848	-	1.512.475	-	1.512.475
II. Correction according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	(174.343)	-	(174.343)	-	(174.343)
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Amendments in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	(174.343)	-	(174.343)	-	(174.343)
III. New Balance (I+II)		1.185.000	-	-	184	18.075	(3.141)	-	1.705	(4.214)	40.256	164.762	(64.495)	-	1.338.132	-	1.338.132
IV. Total Comprehensive Income		-	-	-	-	1.535	83	-	3.965	(18.758)	40.960	-	-	161.759	-	-	189.544
V. Capital Increase in Cash		348.304	-	-	-	-	-	-	-	-	-	-	-	-	-	-	348.304
VI. Capital Increase in Internal Resources		1.696	-	-	(1.696)	-	-	-	-	-	-	-	-	-	-	-	-
VII. Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Gain or Loss related to Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution		-	-	-	1.413	-	-	-	-	-	-	108.435	(109.848)	-	-	-	-
11.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Amount Transferred to Reserves		-	-	-	1.413	-	-	-	-	-	-	108.435	(109.848)	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+...+X+XI)		1.535.000	-	-	(99)	19.610	(3.058)	-	5.670	(22.972)	81.216	273.197	(174.343)	161.759	1.875.980	-	1.875.980

Describes;

- 1.Fixed assets revaluations increases/decreases.
- 2.Accumulated remeasurement gains/losses of defined benefits.
- 3.Other (the share of other comprehensive income of the investments accounted by the equity method that cannot be classified as profit/(loss) and the accumulated amounts of other comprehensive income items that will not be reclassified as other profit/(loss)).
- 4.Foreign currency translation differences.
- 5.Accumulated revaluation and/or classification gains/(losses) on financial assets at fair value through other comprehensive income.
6. Other (Cash flow hedging gains/(losses), share of other comprehensive income of equity method investees classified as profit/(loss) and accumulated amounts of other comprehensive income items to be reclassified as other profit or loss).

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BURGAN BANK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2017

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																				
CURRENT PERIOD 31/12/2017		Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Except for Minority Interest	Minority Interest	Total Shareholders' Equity
I.	Prior Period End Balance (31/12/2016)	II-I	900.000	-	-	-	20.178	-	72.911	(2.375)	71.673	-	(7.871)	16.127	-	21.915	-	1.092.558	-	1.092.558
II.	Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Corrections of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Amendments in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I + II)		900.000	-	-	-	20.178	-	72.911	(2.375)	71.673	-	(7.871)	16.127	-	21.915	-	1.092.558	-	1.092.558
	Changes in the Period																			
IV.	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	3.795	-	-	-	-	3.795	-	3.795
VI.	Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	18.341	-	18.341	-	18.341
6.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	18.341	-	18.341	-	18.341
6.2	Foreign Investment for Purpose of Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	(1.076)	-	-	-	(1.076)	-	(1.076)
VIII.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	1.567	-	-	-	-	1.567	-	1.567
XIV.	Capital Increase		285.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	285.000	-	285.000
14.1	Cash		285.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	285.000	-	285.000
14.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-	(582)	-	-	-	3.024	-	-	-	2.442	-	2.442
XIX.	Current Year Income or Loss		-	-	-	-	-	-	-	-	109.848	-	-	-	-	-	-	109.848	-	109.848
XX.	Profit Distribution		-	-	-	1.164	-	70.509	-	-	(71.673)	-	-	-	-	-	-	-	-	-
20.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to Reserves		-	-	-	1.164	-	70.509	-	-	(71.673)	-	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (III+IV+...+XX)		1.185.000	-	-	-	21.342	-	143.420	(2.957)	109.848	-	(2.509)	18.075	-	40.256	-	1.512.475	-	1.512.475

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes form an integral part of these financial statements.

**(CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
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BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOW AT 31 DECEMBER 2018

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

VI. CASH FLOW STATEMENT	Note (Section Five)	Current Period 31/12/2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		(7.799)
1.1.1 Interest Received		2.358.227
1.1.2 Interest Paid		(1.759.119)
1.1.3 Dividend Received		700
1.1.4 Fees and Commissions Received		39.073
1.1.5 Other Income		-
1.1.6 Collections from Previously Written-off Loans and Other Receivables		279.936
1.1.7 Payments to Personnel and Service Suppliers		(221.334)
1.1.8 Taxes Paid		(30.807)
1.1.9 Other	VI-b	(674.475)
1.2 Changes in Operating Assets and Liabilities		957.442
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(7.087)
1.2.2 Net (Increase)/Decrease in Due from Banks and Other Financial Institutions		651.047
1.2.3 Net (Increase)/Decrease in Loans		(2.008.626)
1.2.4 Net (Increase)/Decrease in Other Assets		(92.522)
1.2.5 Net (Increase)/Decrease in Bank Deposits		1.222
1.2.6 Net Increase/(Decrease) in Other Deposits		1.012.057
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-
1.2.8 Net Increase/(Decrease) in Funds Borrowed		1.207.502
1.2.9 Net Increase/(Decrease) in Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities	VI-b	193.849
I. Net Cash Provided from Banking Operations		949.643
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from Investing Activities		(100.565)
2.1 Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-
2.2 Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-
2.3 Purchases of Property and Equipment		(3.016)
2.4 Disposals of Property and Equipment		17.556
2.5 Cash Paid for Purchase of Investments Available-for-Sale		(152.514)
2.6 Cash Obtained from Sale of Investments Available-for-Sale		37.409
2.7 Cash Paid for Purchase of Investment Securities		-
2.8 Cash Obtained from Sale of Investment Securities		-
2.9 Other		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided from Financing Activities		348.304
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-
3.2 Cash Used for Repayment Of Funds Borrowed and Securities Issued		-
3.3 Issued Capital Instruments		348.304
3.4 Dividends Paid		-
3.5 Payments for Finance Leases		-
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		190.537
V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		1.387.919
VI. Cash and Cash Equivalents at Beginning of the Period	VI-a	1.262.144
VII. Cash and Cash Equivalents at end of the Period	VI-a	2.650.063

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes form an integral part of these financial statements.

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NOTES TO CONSOLIDATED STATEMENT OF CASH FLOW AT 31 DECEMBER 2017

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

VI. CASH FLOW STATEMENT	Note (Section Five)	Prior Period 31/12/2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		160.612
1.1.1 Interest Received		1.469.531
1.1.2 Interest Paid		(1.008.375)
1.1.3 Dividend Received		330
1.1.4 Fees and Commissions Received		40.876
1.1.5 Other Income		-
1.1.6 Collections from Previously Written-off Loans and Other Receivables		66.139
1.1.7 Payments to Personnel and Service Suppliers		(174.877)
1.1.8 Taxes Paid		(29.472)
1.1.9 Other	VI-b	(203.540)
1.2 Changes in Operating Assets and Liabilities		(123.758)
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		26.173
1.2.2 Net (Increase)/Decrease in Due from Banks and Other Financial Institutions		-
1.2.3 Net (Increase)/Decrease in Loans		(16.741)
1.2.4 Net (Increase)/Decrease in Other Assets		(2.603.192)
1.2.5 Net (Increase)/Decrease in Bank Deposits		(690.533)
1.2.6 Net Increase/(Decrease) in Other Deposits		36.829
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		561.454
1.2.8 Net Increase/(Decrease) in Funds Borrowed		2.692.174
1.2.9 Net Increase/(Decrease) in Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities	VI-b	(129.922)
I. Net Cash Provided from Banking Operations		36.854
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from Investing Activities		253.219
2.1 Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-
2.2 Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-
2.3 Purchases of Property and Equipment		(7.511)
2.4 Disposals of Property and Equipment		16.630
2.5 Cash Paid for Purchase of Investments Available-for-Sale		(105.204)
2.6 Cash Obtained from Sale of Investments Available-for-Sale		349.304
2.7 Cash Paid for Purchase of Investment Securities		-
2.8 Cash Obtained from Sale of Investment Securities		-
2.9 Other		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided from Financing Activities		235.712
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-
3.2 Cash Used for Repayment Of Funds Borrowed and Securities Issued		(49.288)
3.3 Issued Capital Instruments		285.000
3.4 Dividends Paid		-
3.5 Payments for Finance Leases		-
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(13.202)
V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		512.583
VI. Cash and Cash Equivalents at Beginning of the Period	VI-a	749.561
VII. Cash and Cash Equivalents at end of the Period	VI-a	1.262.144

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes form an integral part of these financial statements.

**(CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
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BURGAN BANK A.Ş.

**CONSOLIDATED STATEMENT OF PROFIT APPROPRIATION AS AT 31 DECEMBER 2018 AND 31
DECEMBER 2017**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

VII. PROFIT APPROPRIATION STATEMENT	(31/12/2018) (*)	(31/12/2017) (**)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	199.193	139.669
1.2 TAXES AND DUTIES PAYABLE (-)	37.434	29.821
1.2.1 Corporate Tax (Income tax)	-	14.431
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	37.434	15.390
A. NET INCOME FOR THE YEAR (1.1-1.2)	161.759	109.848
1.3 PRIOR YEAR LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]		
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	-	108.435
1.13 OTHER RESERVES	-	1.413
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	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
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 (%)	-	-

(*) TL 33.668 that is observed in net profit, reflects the amount within the framework of the Bank's equity method applied to the subsidiaries that are not subject to the distribution of net profit / loss under the scope of TAS 27. As of the preparation date of these financial statements, the yearly ordinary meeting of the General Assembly has not been held. Therefore, the distribution of net profit has not been discussed and decided.

(**) Includes the "Profit Appropriation Statement" approved by the Bank's General Assembly held on 30 March 2018, TL 17.168 is due to corrections under TAS 27.

The accompanying explanations and notes form an integral part of these financial statement

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**SECTION THREE
EXPLANATIONS ON ACCOUNTING POLICIES**

I. BASIS OF PRESENTATION:

a. The preparation of the consolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures numbered 5411 Regarding Banks’ Accounting Application and Keeping Documents:

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and annexes and comments (collectively "Turkish Accounting Standards" or "TAS") implemented by the the Public Oversight Auditing and Accounting Standards Authority (POA), other regulations, communiqués and circulars in respect of accounting and financial reporting promulgated by the Banking Regulatory and Supervision Agency (BRSA), announcements by BRSA, Turkish Commercial Code and Tax Legislation. The format and the details of the publicly announced consolidated financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” published in the Official Gazette No. 28337 dated 28 June 2012 and changes in the related communiqué. The Parent Bank is expressing its accounting entries in Turkish Lira, in accordance with the Banking Law, Turkish Trade Law and the Turkish Tax Legislation.

The consolidated financial statements expressed in TL were prepared with the cost-based method and were subject to inflation correction until 31 December 2004, except for the financial assets, liabilities and buildings, which were carried at fair value.

Amounts in the consolidated financial statements and related notes and explanations are expressed in thousand of Turkish Lira unless otherwise stated.

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

TFRS 16 Leases

The “TFRS 16 Leases” standard was published in the official gazette dated 16 April 2018 and numbered 29826 for the period beginning after 31 December 2018. In this standard, the difference between the operating lease and the finance lease has been eliminated, and the lease transactions will be presented by the lessor as the financial liability for the asset (the right to use) and the lease payment.

The Group has started to work on compliance with the TFRS 16 Leases Standard effective from 1 January 2019 which is still in progress as of 31 December 2018. The Group does not expect a significant impact in its financials with the adaptation of TFRS 16 at 1 January 2019.

The Bank has started to work on compliance with the TFRS 16 Leases Standard effective from 1 January 2019 which is still in progress as of 31 December 2018. The Bank does not expect a significant impact in its financials with the adaptation of TFRS 16 at 1 January 2019. Other than then the accounting policies mentioned above, there are no other issues to be stated.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

I. BASIS OF PRESENTATION (Continued):

b. Explanations on changes in accounting policies and financial statement presentation:

Accounting policies and valuation principles used in the preparation of the unconsolidated financial statements are determined in accordance with the regulations, Communiques, interpretations and legislations related to accounting and financial reporting principles published by the BRSA, and in case where a specific regulation is not made by BRSA, TAS/IFRS (all “BRSA Accounting and Financial Reporting Legislation”) and related appendices and interpretations are put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”). In accordance with the transition rules of IFRS 9, the prior period financial statements and notes are not restated. Accounting policies and valuation principles used for 2018 and 2017 are separately presented in the following notes; The accounting policies for 2017 are included in note XXX. Impacts of the transition to IFRS 9 and its adoption are disclosed in note XXIX.

c. Items subject to different accounting policies in the preparation of consolidated financial statements:

None.

II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS:

The general strategy of the Group is using financial instruments to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Group is deposits. Additionally, the Group can also sustain a lengthened liability structure by using long-term borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in high yield and quality financial assets and currency, interest rate and liquidity risks are being kept within the limits following the asset-liability management strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the Group 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 Group as a result of foreign currency activities are being held at minimum levels and the exposed currency risk is followed within the levels determined by the Board of Directors, considering the limits given by the Banking Law.

Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank’s foreign currency bid 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”.

As of 31 December 2018, foreign currency denominated balances are translated into TL using the exchange rates of TL 5,2810 and TL 6,0422 for USD and EURO respectively.

If the functional currency of the Group is different from its reporting currency, all assets and liabilities in the reporting currency are translated using the foreign exchange rate at the balance sheet date, and the income and expenses in the income statement are translated using the average foreign exchange rate (this average foreign exchange rate is used when the rate is not far from the cumulative effect of the exchange rate of the transaction, in such a case the income and expenses are translated at the exchange rate of the transaction date) and the resulting foreign currency conversion differences are presented as a separate item under equity. The currency of the Group is not the currency of a high inflationary economy.

**(CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES:

Consolidated financial statements are prepared in accordance with the “Turkish Accounting Standard for Consolidated Financial Statements” (“TFRS 10”). Consolidation principles for subsidiaries:

Subsidiaries are entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method on the grounds of materiality principle considering their operations, asset and equity sizes. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

Control depicts the significant influence the Parent Bank has over an investment to a legal entity, the varying yield the Parent Bank receives due to its relationship with this entity or the rights of the Parent Bank entitled over this yield and the power to impact the yield that the invested legal entity will generate.

In the full consolidation method, 100% of subsidiaries’ assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank’s assets, liabilities, income, expense and off-balance sheet items.

The carrying amount of the Group’s investment in each subsidiary and the Group’s portion of the cost value of the capital of each subsidiary are eliminated. Intergroup balances and intergroup transactions and resulting unrealized profits and losses are eliminated. Minority interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Group. Minority interests are presented in the consolidated balance sheet, under shareholder’s equity. Minority interests are presented separately in the Group’s income.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Parent Bank.

The Group has no joint ventures as of 31 December 2018 and 31 December 2017.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS:

The major derivative instruments utilized by the Group are currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

The Group classifies its currency forwards, swaps, options and futures as transactions at “Fair Value Through Profit or Loss” in accordance with IFRS 9 principles. Derivative transactions are recorded in accordance with their fair value on the contract date. Also, liabilities and receivables arising from derivative instruments are followed in the off-balance sheet accounts from their contractual values.

Derivative instruments are measured at their fair values in the periods following their recording and are disclosed under assets or liabilities in the “Derivative Financial Assets at Fair Value Through Profit or Loss” section according to whether their fair value is positive or negative. Valuation differences in the fair value of trading derivative instruments are reflected to the income statement. The fair values of the derivative financial instruments are calculated by using quoted market prices or by using discounted cash flow models.

Embedded derivatives are separated from the host contract and accounted for as a derivative under IFRS 9 if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. When the host contract and embedded derivative are closely related, embedded derivatives are not separated from the host contract and are accounted according to the standard applied to the host contract.

As of 31 December 2018, The Group applies cash flow hedge accounting through cross and interest currency swaps to protect against changes in interest rates of FC deposits which have average maturities of up to 3 months. The Group implements effectiveness tests at the balance sheet dates for hedge accounting, the effective parts are accounted as defined in IFRS 9, on the financial statements under equity “Accumulated other comprehensive income or expense to be reclassified through profit or loss”, whereas the amount concerning ineffective parts is associated with the income statement.

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized. The renewal of a financial hedging instrument or the transfer of a financial hedging instrument to another financial hedging instrument does not eliminate the hedging relationship, if the financial hedging instrument is part of the hedging strategy in accordance with IFRS 9.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognized in the income statement by using the effective interest method. Starting from 1 January 2018, the Group has started accruing interest accrual on non-performing loans. Net book value of non-performing loans (Gross Book Value – Expected Credit Loss) are rediscounted with the effective interest rate and recognized with the gross book value of the non-performing loan.

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE:

Fees and commission income/expenses are primarily recognized on an accrual basis or “Effective Interest (Internal Efficiency) Method” according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract based fees or fees received for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

VII. EXPLANATIONS ON FINANCIAL ASSETS:

The Group classifies and accounts its financial assets as “Financial Assets at Fair Value Through Profit or Loss”, “Financial Assets at Fair Value Through Other Comprehensive Income” or “Financial Assets Measured at Amortized Cost”. Such financial assets are recognized or derecognized according to IFRS 9 Financial Instruments Part three “Classification and Measurement of Financial Instruments” published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than “Financial Assets at Fair Value Through Profit or Loss”, transaction costs are added to fair value or deducted from fair value.

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

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

“Financial Assets at Fair Value Through Profit or Loss” are financial assets other than the ones that are managed with business models that aim to hold contractual cash flows in order to collect them and the ones that are managed with business models that aim to collect both the contractual cash flows and cash flows arising from the sale of the assets; If the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at a certain date; That are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. The gains and losses arising from the conducted valuations are included in profit/loss accounts.

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

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

**(CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued):

b. Financial assets at fair value through other comprehensive income (Continued):

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

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

During initial recognition, an entity can make an irrevocable decision, by choosing to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in other comprehensive income. If this choice is made, the dividends from the investment are taken into the financial statements as profit or loss.

c. Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at their acquisition cost including the transaction costs which reflect the fair value of those instruments and are subsequently recognized at “Amortized Cost” by using “Effective Interest (Internal Efficiency) Rate” method. Interest income obtained from financial assets measured at amortized cost are accounted in the income statement.

d. Loans

Loans are financial assets that have fixed or determinable payment terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the “Effective Interest Rate (Internal Rate of Return)” method.

The Group’s loans are recorded under the “Measured at Amortized Cost” account.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES:

The Group allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income.

As of 1 January 2018, in accordance with the Communiqué related to “Procedures and Principles regarding Classification of Loans and Allowances Allocated for Such Loans” published in the Official Gazette no. 29750 dated 22 June 2016, the Bank has started to allocate a loss allowance for expected credit losses on financial assets and loans measured at amortized cost in accordance with IFRS 9. In this context, as of 31 December 2017, the credit loss allowance method within the framework of the BRSA’s related legislation has been changed to the loss allowance for expected credit losses model with the implementation of IFRS 9. The predictions of expected credit loss forecasts include credible information which is objective, probability-weighted, supportable about past events, current conditions, and forecasts of future economic conditions.

The basic parameters used in the calculations of provision are described below:

Probability of Default (PD): PD refers to the likelihood that a loan will default within a specified time horizon. Based on IFRS 9, two different PDs are considered in calculations:

- **12-month PD:** The probability of default occurring within the next 12 months following the balance sheet date.
- **Lifetime PD:** The probability of default occurring over the remaining life of the loan.

The Group generates ratings for the corporate and commercial customers via internal rating system and the 12-month or lifetime probability of defaults are estimated based on these ratings. Macroeconomic expectations are taken into account when carrying out these expectations and the weighted average of the probabilities of default calculated from three different scenarios are considered as the final probability of default.

For retail customers, the score point is generated via the internal scoring system and the 12-month or lifetime probabilities of default are estimated based on these score points by considering the above-mentioned macroeconomic factors.

For the receivables from customers such as sovereign and banks, provision is calculated by using the determined values in the corporate and commercial probability of default table and the loss given default rates.

Loss Given Default Rate: If a loan default occurs, it refers to the economic loss that might be encountered by taking into consideration the collection period and the time value of money. The Group has determined the loss given default rates by considering the expert opinion based on the past historical data set.

Exposure at Default: For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans, it is the value calculated through using credit conversion factors.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES:

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1:

These are the financial assets at initial recognition or financial assets that do not have a significant increase in credit risk since their initial recognition. Impairment for credit risk for these assets is accounted in the amount of 12-month expected credit losses. Therefore, the expected probability of default of 12 months is calculated by considering the maturity of the loan. This value is obtained after weighting the three macro-economic scenarios and the provision is calculated using the loss given default and risk amounts calculated by taking into consideration the collateral composition of the loan.

Stage 2:

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is accounted based on the financial asset’s lifetime expected credit losses. The provision which will be allocated for the loan is calculated by considering the maturity and cash flow of the loan for three macroeconomic scenarios as stated above. For this purpose, the probability of default and the loss given default amounts are estimated only for 12 months but also for the whole life of the loan and the loan provision is determined by using the present value set calculated over the cash flow.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized. The method is similar to the methodology applied for Stage 2 loans, but the probability of default is considered 100% in these calculations. In general the Group follows the definition of default in the legislation (objective default definition, for example the criterion of the number of days past due). On the other hand, if it is decided that the debt will not be paid, the aforementioned receivable will be considered as Stage 3, even if the default has not occurred yet.

The Group carries out its determination regarding the significant increase in credit risk by taking into consideration of the following criterias:

- Type of customer (calculations are made on separate models for corporate and commercial customers and retail customers).
- Internal rating scores (calculations are based on score points for retail customers and ratings for corporate and commercial customers).
- The deterioration observed in the internal rating score between the drawdown date and the reporting date.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS:

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

X. 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 amortized cost” according to the investment purposes of the Group and are measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under “Funds Provided under Repurchase Agreements” in liabilities and the difference between the sale and repurchase price is accrued over the life of repurchase agreements using the effective interest method.

Funds given against securities purchased under agreements (“Reverse repo”) to resell are accounted under “Receivables from Reverse Repurchase Agreements” 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 Group has no securities lending transactions.

XI. EXPLANATIONS ON TANGIBLE ASSETS THAT ARE HELD FOR RESALE, DISCONTINUED OPERATIONS AND LIABILITIES REGARDING THOSE ASSETS:

Assets held for sale are measured at the lower of the assets’ carrying amount and fair value less costs to sell. Held for sale assets are not amortized and presented separately in the financial statements. In order to classify an asset as held for sale, only when the sale is highly probable, experienced quite often and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale. Highly saleable condition requires a plan by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or cancelling the plan is low. Various circumstances and conditions could extend the completion period of the sale more than one year. If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale.

The Group has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

a. Goodwill:

As of 31 December 2018, the Bank has no goodwill (31 December 2017: None).

b. Other intangible assets:

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 value decreases, if any.

Intangibles are amortized over their estimated useful lives using the straight-line amortization 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 of the asset and differs from 3 years to 15 years.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

Property and equipment are measured at their initial cost when recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment are carried at cost less accumulated depreciation and provision for value decrease, if any.

The Group has adopted the “revaluation method” in accordance with the “Communiqué Regarding the Principles and Procedures for the Tangible Assets (“TAS 16”)” for its buildings. Independent expert appraisal values determined by independent experts are presented in the financial statements.

Depreciation is calculated over the cost of property and equipment using the straight-line method. The depreciation rates are stated below:

Buildings	2%
Movables, Movables Acquired by Financial Leasing	2-50%

As of the balance sheet date, the depreciation charge for items remaining in property and equipment for less than an accounting period is calculated in proportion to the time period the item remained in property and equipment.

When 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 the diminution value 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 revenue.

Expenditures for the repair and renewal 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.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

The Group records its fixed assets obtained via leasing by taking into consideration the “lower of the fair value of the leased asset and the present value of the amount of cash consideration given for the leased asset”.

Leased assets are included in the property and equipment and these assets are depreciated their useful lives into consideration. If impairment is detected in the value of the leased asset, a “Provision for value decrease” is recognized. Liabilities arising from the leasing transactions are included in “Financial Lease Payables” on the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Group realizes financial leasing transactions in the capacity of “Lessor” by means of Burgan Finansal Kiralama A.Ş. which is the consolidated subsidiary of the Group. The asset subject to financial leasing is disclosed as a net financial leasing receivable in the balance sheet. The interest income is determined in a way to form a fixed revenue return ratio using net investment method related to leased asset of the lessor, and the portion of interest income which does not take part in the related term is followed under unearned interest income account.

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

The Group allocates specific provisions for lease receivables based on the assessments and estimates of the management, by considering the current applicable communiqué.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS:

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

Provisions are recognized when the Group 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. The provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the "Matching principle". When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Group, it is considered that a "Contingent" liability exists and it is disclosed in the related notes to the financial statements.

XVI. EXPLANATIONS ON CONTINGENT ASSETS:

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

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

The Group accounts obligations related to employee termination and vacation rights in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") and classifies these items under the "Reserve for Employee Rights" account in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Group arising from this liability.

According to the TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communiqué published in the Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Group, the recognition option of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement have been eliminated, which is effective for annual periods beginning on or after 1 January 2013. The earlier application of the revision is permitted in the section of the transition and effective date of the standard and therefore the Group has recognised the actuarial gains and losses that occur in related reporting periods in the "Statement of Income and Expense Items Accounted in Equity" and presented in "Other Reserves" item in the Shareholders Equity section.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XVIII. EXPLANATIONS ON TAXATION:

a. Current tax:

Many clauses of Corporate Tax Law No. 5520 which are valid starting from 1 January 2006, was taken into effect after being published in the Official Gazette dated 21 June 2006 No. 26205. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 22% for 2018 (2017: 20%). The corporate tax rate is calculated on the total income after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

In accordance with the Temporary Article 10 and Article 32 paragraph 1 added to the Corporate Tax Law at 05 December 2017, the Corporate Tax rate which was 20% will be applied as 22% for corporate earnings for the taxation periods of 2018, 2019 and 2020.

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 thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly on their corporate income with the current rate. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their 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.

75% portion of the capital gains derived from the sale of equity investments and immovable properties before 05 December 2017, the 50% portion of the capital gains derived from the sale of equity investments and immovable properties after 05 December 2017 are tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder’s equity for 5 years. Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to 5 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 evening of the 25th of the fourth month following the balance sheet date. Tax returns are open for five years from the beginning of the year following the date of filing during which 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.

b. Deferred tax:

The Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”) and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XIX. EXPLANATIONS ON BORROWINGS:

The Group’s fund resources in essence consist of borrowing from foreign financial institutions, issued securities and money market debt.

Financial liabilities and derivative transactions are valued with their fair values and other financial liabilities are carried at “amortized cost” using the effective interest method in the following periods.

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

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

Transaction costs regarding the issuance of share certificates are accounted under shareholders’ equity after eliminating the tax effects.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

Avalized drafts and acceptances shown as liabilities against assets are included in the “Off-balance sheet commitments”.

XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

As of 31 December 2018, the Group has no government grants (31 December 2017: None).

XXIII. EXPLANATIONS ON 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.

Under the Turkish Commercial Code (“TCC”) the legal reserves are composed of first and second reserves. The TCC requires first reserves to be 5% of the profit until the total reserve is equal to 20% of issued and fully paid-in share capital. Second reserves are required to be 10% of all cash profit distributions that are in excess of 5% of the issued and fully paid-in share capital. However holding companies are exempt from this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

XXIV. EXPLANATIONS ON 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.

	31 December 2018	31 December 2017
Net Income/(Loss) to be Appropriated to Ordinary Shareholders	161.759	109.848
Weighted Average Number of Issued Ordinary Shares (Thousand)	137.845.277	90.078.082
Earnings Per Ordinary Shares (Disclosed in full TL)	1,173	1,219

Based on the Principal Agreement, the Parent Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIV. EXPLANATIONS ON EARNINGS PER SHARE (Continued):

In Turkey, companies can increase their share capital by making a pro-rata distribution of “Bonus shares” to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of “Bonus shares” issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. 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.

XXV. EXPLANATIONS ON RELATED PARTIES:

Parties defined in article 49 of the Banking Law No.5411, Group’s senior management, and Board Members are deemed as related parties. Transactions regarding related parties are presented in Note VII. of Section Five.

XXVI. EXPLANATIONS ON CASH AND CASH EQUIVALENTS:

For the purposes of the cash flow statement, “Cash” includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and “Cash equivalents” include interbank money market placements, time deposits at banks with original maturity periods of less than three months and investments on marketable securities other than common stocks.

XXVII. EXPLANATIONS ON SEGMENT REPORTING:

Operational field is distinguishable section of the Group that has different characteristics from other operational fields per earning and conducts the presentation of service group, associated bank products or a unique product. Operating segments are disclosed in Note XIII. in Section Four.

XXVIII. RECLASSIFICATIONS:

None.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIX. DISCLOSURES OF IFRS 9 FINANCIAL INSTRUMENTS STANDARD:

IFRS 9 Financial Instruments Standard, which is effective as at 1 January 2018 has replaced the TAS 39 Financial Instruments: Recognition and Measurement standard. IFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting.

Classification and measurement of financial assets:

According to IFRS 9 requirements, classification and measurement of financial assets will depend on the business model in which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent solely payments of principal and interest.

Assessment whether contractual cash flows are solely payments of principal and interest:

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, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group 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 this assessment the Group considers the events that can alter the amount and timing of cash flows, product specific leverage features, prepayment and extension terms, terms that limit the Group’s claim to cash flows from specified assets and the features that modify consideration for the time value of money.

The Group fulfills the on-balance sheet classification and measurement criterias by applying the procedures described above for all financial assets.

Upon initial recognition each financial asset is classified as either fair value through profit or loss, fair value through other comprehensive income or measured at amortized cost. The application of TAS 39 principles on the classification and measurement of financial liabilities remain largely unchanged.

Explanations of the effects from the Group’s application of IFRS 9 is presented below.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIX. DISCLOSURES OF IFRS 9 FINANCIAL INSTRUMENTS STANDARD (Continued):

a. Classification and measurement of financial assets:

Financial Assets	Before IFRS 9		In Scope of IFRS 9	
	Measurement Bases	Book Value 31 December 2017	Measurement Bases	Book Value 1 January 2018
Cash and Balances with Central Bank	Measured at amortized cost	2.027.340	Measured at amortized cost	2.027.340
Banks and Money Markets	Measured at amortized cost	179.729	Measured at amortized cost	179.729
Marketable Securities	Fair value through profit or loss	5.543	Fair value through profit or loss	5.703
Marketable Securities	Fair value through other comprehensive income	276.595	Fair value through other comprehensive income	276.435
Marketable Securities	Measured at amortized cost	171.218	Measured at amortized cost	171.218
Derivative Financial Assets	Fair value through profit or loss	407.696	Fair value through profit or loss	407.696
Loans (Gross)	Measured at amortized cost	15.915.105	Measured at amortized cost	15.915.105

Since their previous categories under TAS 39 are “put out of use”, without any adjustments, the financial assets that are classified as Trading, “Available-for-sale” and “Held-to-maturity” are now classified as “Fair value through profit or loss”, “Fair value through other comprehensive income” and “Measured at amortized cost” respectively under IFRS 9 as of 1 January 2018.

b. Reconciliation of statement of financial position balances from TAS 39 to IFRS 9:

Financial Assets	Book value before IFRS 9 31 December 2017	Reclassifications	Remeasurements	Book value after IFRS 9 1 January 2018
Fair value through profit or loss				
Balance before classification (for trading purposes)	5.543	-	-	-
Classified from available-for-sale	-	160	-	-
Book value after classification	-	-	-	5.703
Fair value through other comprehensive income				
Book value before classification (available-for-sale)	276.595	-	-	-
Available-for-sale financial assets valuation difference	-	-	-	-
Classified at financial assets at fair value through profit or loss	-	(160)	-	-
Book value after classification	-	-	-	276.435

The “Cash and Cash Equivalents” account which is used on financial statements as of 1 January 2018 includes the combination of “Cash and Balances at Central Bank”, “Banks” and “Receivables from Money Markets” accounts which were presented separately in the 31 December 2017 financial statements. Furthermore, the “Other Liabilities” account, effective on financial statements as of 1 January 2018, includes the combination of “Miscellaneous Payables” and “Other Foreign Liabilities” accounts, which were presented separately on the 31 December 2017 financial statements.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIX. DISCLOSURES OF IFRS 9 FINANCIAL INSTRUMENTS STANDARD (Continued):

c. Reconciliation of the opening balances of the provision for expected credit losses to IFRS 9:

The table below shows the reconciliation of the provision for impairment of the Bank as of 31 December 2017 and the provision for the expected loss model as measured in accordance with IFRS 9 as of 1 January 2018.

	Book value before IFRS 9 31 December 2017	Remeasurements	Book value after IFRS 9 1 January 2018
Loans	364.757	237.852	602.609
Stage 1	94.018	(29.682)	64.336
Stage 2	10.911	298.447	309.358
Stage 3	219.273	9.642	228.915
Other (*)	40.555	(40.555)	-
Financial assets	471	65	536
Non-cash loans	6.465	15.940	22.405
Stage 1 and 2	2.165	15.953	18.118
Stage 3	4.300	(13)	4.287
Total	371.693	253.857	625.550

(*) It expresses the provisions the Bank has allocated for certain loans in its loan portfolio related to risks that can arise in the future in the unconsolidated financial statements as of 31 December 2017.

d. Effects on equity with IFRS 9 transition:

According to paragraph 15 of Article 7 of IFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with IFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of 1 January 2018 at the date of application should be reflected in the opening amount of equity. Under the framework of this article, the explanations about the effects of the transition to IFRS 9 shown in equity items are given below:

The expense directional difference between the provision for impairment of the previous period of the Group together with the general provisions for loans and other receivables of the Group, and the new expected credit losses measured in accordance with the predicted IFRS 9 impairment model as of 1 January 2018, netted off from deferred tax income and corporate tax amounting to TL 174.343 is classified in equity under the "Prior Year's Profits or Losses" account.

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017, for general provisions (IFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of 1 January 2018. Under this framework, deferred tax assets amounting to TL 78.526 has been reflected to the opening financials of 1 January 2018 and the related amount has been classified under "Prior Year's Profits or Losses" in shareholders' equity. For the specific provisions (IFRS 9 expected loss provisions for third stage loans), which have been cancelled due to IFRS 9 transition, corporate tax liability amounting to TL 988 is classified under "Prior Year's Profits or Losses" in equity as of 1 January 2018.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXX. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD:

The IFRS 9 standard has been effective instead of TAS 39 as of 1 January 2018. Accounting policies which have lost their validity with the transition to IFRS 9 are given below:

1. 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. The Group ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no income is accounted until the collection is made according to the related regulation.

2. Explanations On Financial Assets:

The Group classifies and accounts its financial assets at “Fair value through profit or loss”, “Available-for-sale”, “Loans and receivables” or “Held-to-maturity”. Sales and purchases of the financial assets mentioned above are recognized and derecognized at the “settlement dates”. The appropriate classification of financial assets of the Group is determined at the time of purchase by the Group management, taking into consideration the purpose of holding the investment.

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

This category has two subcategories: “Trading financial assets” and “Financial assets designated at fair value through profit/loss at initial recognition”.

Trading financial assets are financial assets which are either acquired for generating a profit from short term fluctuations in prices or regardless of their ac are financial assets included in a portfolio aimed at short-term profit making.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. All gains and losses arising from these evaluations 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.

Derivative financial instruments are treated as trading financial assets unless they are not designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV. of this section.

b. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognized at cost which is considered as their fair value. The fair values of held-to-maturity financial assets on initial recognition are either the transaction prices at acquisition or the market prices of similar financial instruments. Held-to-maturity securities are carried at “Amortized cost” using the Effective Interest Rate (Internal Efficiency)” method after their recognition.

Interest income earned from held-to-maturity financial assets is reflected to the statement of income.

The Group does not have financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to breach of classification principles.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

**XXX. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE
CURRENT PERIOD (Continued):**

c. Loans and receivables:

Loans and receivables are non-derivative financial assets held for trading, whose fair value differences are reflected in profit or loss, are not defined as available-for-sale, are fixed or determinable and are not quoted on an active market. Loans and receivables are initially recognized at cost and are subsequently measured at amortized cost using the effective interest rate method. Fees and other similar charges related to the assets acquired as collateral are not considered as part of the transaction cost and are reflected in the expense accounts.

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering 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” published in the Official Gazette No.26333 dated 1 November 2006. In this context, the revised credit risk, general structure of the current loan portfolio, financial conditions of the customers, non-financial information and economic conjuncture based on the prudence principle are taken into consideration by the Group in determining the estimates.

Provision expenses are deducted from the net income of the year. If there is a collection from a receivable that is provisioned previously, the amount is deducted from the “Specific Provisions” account and recorded as an income to “Provision for Loan Losses and Other Receivables” shown as net with the provisions recorded in the year.

d. Available-for-sale financial assets:

Financial assets available-for-sale consist of financial assets other than “Loans and receivables”, “Held-to-maturity”, “Financial assets at fair value through profit or loss” and non-derivative financial assets. Financial assets available-for-sale are recorded by adding transaction cost to acquisition cost reflecting the fair value of the financial asset.

After the recognition, financial assets available-for-sale are remeasured at fair value. Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

“Unrealized gains and losses” arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the shareholders’ equity as “Marketable Securities Valuation Reserve”, until there is a permanent decline in the fair values of such assets or they are disposed of. When these financial assets are disposed of or impaired, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement. When calculating CPI Indexed government bonds' discounted values, cash flows calculated through CBRT's monthly expected CPI bulletin indices are used.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

**XXX. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE
CURRENT PERIOD (Continued):**

3. Explanations On Impairment of Financial Assets:

Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the effective interest method, or the fair value if one exists is lower than its carrying value, then it is concluded that the asset under consideration is impaired. A provision is made for the diminution in value of the impaired financial asset and it is charged against the income for the year.

The principles for the accounting of provisions for loans are explained in detail in Note VII. of this Section.

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SECTION FOUR

**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE
GROUP ON A CONSOLIDATED BASIS**

I. EXPLANATIONS ON CONSOLIDATED EQUITY:

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

As of 31 December 2018 Bank’s total capital has been calculated as TL 3.516.051 (31 December 2017: TL 2.645.483), Capital adequacy ratio is 18,49% (31 December 2017: 17,32%).

a. Information about total capital:

	Current Period 31 December 2018	Amounts related to treatment before 1/1/2014 (*)	Prior Period 31 December 2017	Amounts related to treatment before 1/1/2014 (*)
COMMON EQUITY TIER 1 CAPITAL				
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.535.000		1.185.000	
Share issue premiums				
Legal Reserves	273.098		164.946	
Gains recognized in equity as per TAS	258.894		60.036	
Profit	161.759		109.848	
Current Period Profit	161.759		109.848	
Prior Period Profit				
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period				
Common Equity Tier 1 Capital Before Deductions	2.228.751		1.519.830	
Deductions from Common Equity Tier 1 Capital				
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks				
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	200.373		7.355	
Improvement costs for operating leasing	18.946		18.592	
Goodwill (net of related tax liability)				
Other intangibles other than mortgage-servicing rights (net of related tax liability)	44.755	44.755	37.719	47.149
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)				
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	81.216		40.256	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision				
Gains arising from securitization transactions				
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities				
Defined-benefit pension fund net assets				
Direct and indirect investments of the Bank in its own Common Equity				
Shares obtained contrary to the 4th clause of the 56th Article of the Law				
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank				
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank				
Portion of mortgage servicing rights exceeding 10% of the Common Equity				
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity				
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks				
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital				
Excess amount arising from mortgage servicing rights				
Excess amount arising from deferred tax assets based on temporary differences				
Other items to be defined by the BRSA				
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital				
Total Deductions From Common Equity Tier 1 Capital	345.290		103.922	
Total Common Equity Tier 1 Capital	1.883.461		1.415.908	

(*) In this section, the accounts that are liable to the temporary articles of “Regulation on Equities of Banks” which will be considered at the end of the transition period are shown.

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INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE
GROUP ON A CONSOLIDATED BASIS (Continued):

I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):

a. Information about total capital (continued):

	Current Period 31 December 2018	Amounts related to treatment before 1/1/2014 (*)	Prior Period 31 December 2017	Amounts related to treatment before 1/1/2014 (*)
ADDITIONAL TIER I CAPITAL				
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-	-	-
Debt instruments and premiums approved by BRSA	-	-	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-	-	-
Additional Tier I Capital before Deductions	-	-	-	-
Deductions from Additional Tier I Capital	-	-	-	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-	-	-
Other items to be defined by the BRSA	-	-	-	-
Transition from the Core Capital to Continue to deduce Components				
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	9.430	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-	-	-
Total Deductions From Additional Tier I Capital	-	-	-	-
Total Additional Tier I Capital	-	-	-	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1.883.461		1.406.478	
TIER II CAPITAL				
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-	1.131.570	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	1.425.870	-	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	207.200	-	107.566	-
Tier II Capital Before Deductions	1.633.070		1.239.136	
Deductions From Tier II Capital				
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	480	-	131	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-	-	-
Other items to be defined by the BRSA	-	-	-	-
Total Deductions from Tier II Capital	480		131	
Total Tier II Capital	1.632.590		1.239.005	
Total Capital (The sum of Tier I Capital and Tier II Capital)	3.516.051		2.645.483	
Deductions from Total Capital				
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-	-	-
Other items to be defined by the BRSA (-)	-	-	-	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components				
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-

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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE
GROUP ON A CONSOLIDATED BASIS (Continued):**

I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):

a. Information about total capital (continued):

	Current Period 31 December 2018	Amounts related to treatment before 1/1/2014 (*)	Prior Period 31 December 2017	Amounts related to treatment before 1/1/2014 (*)
TOTAL CAPITAL				
Total Capital (Tier I and Tier II Capital)	3.516.051		2.645.483	
Total risk weighted amounts	19.014.620		15.271.897	
Capital Adequacy Ratios				
Core Capital Adequacy Ratio (%)	9,91		9,27	
Tier I Capital Adequacy Ratio (%)	9,91		9,21	
Capital Adequacy Ratio (%)	18,49		17,32	
BUFFERS				
Total additional Tier I Capital requirement (a+b+c)	1,875		1,250	
a. Capital conservation buffer requirement (%)	1,875		1,250	
b. Bank specific counter-cyclical buffer requirement (%)	-		-	
c. Systematically important bank buffer ratio (%)	-		-	
The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	5,40		4,77	
Amounts below the Excess Limits as per the Deduction Principles				
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-		-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-		-	
Amount arising from deferred tax assets based on temporary differences	-		-	
Limits related to provisions considered in Tier II calculation	187.759		31.303	
Limits related to provisions considered in Tier II calculation				
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	462.655		107.566	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	222.958		107.566	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)				
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-		-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-		-	

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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE
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I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):

b. Information on instruments related to equity estimation:

Details on Subordinated Liabilities		
Issuer	Burgan Bank K.P.S.C.	Burgan Bank K.P.S.C.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	-	-
Governing law(s) of the instrument	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No
Eligible at stand-alone/consolidated	Stand Alone – Consolidated	Stand Alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Loan	Subordinated Loan
Amount recognized in regulatory capital (Currency in thousand, as of most recent reporting date)	633.720	792.150
Par value of instrument (USD)	150.000	150.000
Accounting classification	Liability-Subordinated Loans-amortized cost	Liability-Subordinated Loans-amortized cost
Original date of issuance	06.12.2013	30.03.2016
Perpetual or dated	Dated	Dated
Original maturity date	10 Years	10 Years
Issuer call subject to prior supervisory approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year
Coupons / dividends	3 Months	3 Months
Fixed or floating dividend/coupon	Floating dividend	Floating dividend
Coupon rate and any related index	LIBOR+3,75	LIBOR+3,75
Existence of a dividend stopper	-	-
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None
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	None	None
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write-down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.
In compliance with article number 7 and 8 of “Own fund regulation”	None.	None.
Details of incompliances with article number 7 and 8 of “Own fund regulation”	None.	None.

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(Continued):**

I. EXPLANATIONS ON EQUITY (Continued):

c. Information related to the IFRS 9 transition process:

	T	T-1	T-2	T-3	T-4
EQUITY ITEMS					
Common Equity Tier 1 Capital	1.883.461	1.845.362	1.807.262	1.769.163	1.731.063
Common Equity Tier 1 Capital Without the Implementation of the Transition Process	1.731.063	1.731.063	1.731.063	1.731.063	1.731.063
Tier 1 Capital	1.883.461	1.845.362	1.807.262	1.769.163	1.731.063
Tier 1 Capital Without the Implementation of the Transition Process	1.731.063	1.731.063	1.731.063	1.731.063	1.731.063
Equity	3.516.051	3.516.051	3.516.051	3.516.051	3.516.051
Equity Without the Implementation of the Transition Process	3.516.051	3.516.051	3.516.051	3.516.051	3.516.051
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	19.014.621	19.014.621	19.014.621	19.014.621	19.014.621
CAPITAL ADEQUACY RATIOS					
Common Equity Tier 1 Capital Adequacy Ratio (%)	9,91	9,70	9,50	9,30	9,10
Common Equity Tier 1 Capital Adequacy Ratio Without the Implementation of the Transition Process	9,10	9,10	9,10	9,10	9,10
Tier 1 Capital Adequacy Ratio (%)	9,91	9,70	9,50	9,30	9,10
Tier 1 Capital Adequacy Ratio Without the Implementation of the Transition Process	9,10	9,10	9,10	9,10	9,10
Capital Adequacy Ratio (%)	18,49	18,49	18,49	18,49	18,49
Capital Adequacy Ratio Without the Implementation of the Transition Process	18,49	18,49	18,49	18,49	18,49
LEVERAGE RATIO					
Leverage Ratio Total Risk Amount	27.726.690	27.726.690	27.726.690	27.726.690	27.726.690
Leverage Ratio (%)	6,86	6,66	6,52	6,38	6,30
Leverage Ratio Without the Implementation of the Transition Process	6,30	6,30	6,30	6,30	6,30

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK:

Credit risk represents the potential financial loss that the Parent Bank may incur as a result of defaults or non-fulfillment of the loan agreements obligations of counterparties.

In order to control and mitigate credit risk, the Parent Bank takes into consideration the payment capacity of the debtors, the confirmation of the fact that primary and secondary payment sources exist, the fact that provisions allocated for loans can cover expected credit losses, the fact that firms responsible for the valuation of collaterals are operating in accordance with competition rules, the fact that sectoral, geographical and regional concentration is avoided, the fact that the customer portfolio and loans provided are not diversified and credit risk is not common, the fact that information from all sources possible to evaluate or quantify the risks taken on a transaction or customer basis are collected the fact that the payment capacity of loans are monitored.

Credit rankings of borrowers that are present at loans and other accounts receivable accounts are monitored in accordance with the relevant legislation on a regular basis. Account status documents obtained for the issued credits are audited to make sure that the documents are meeting the requirements of the relevant legislation given that the cash transactions are exempted from this rule. As a result of regular monitoring of credit worthiness, credit limits have been changed when necessary. Loans and other receivables are collateralized considering the credit worthiness.

With respect to credit risk, debtor and debtor groups are subject to risk limitations envisaged in the Banking Law. There is no risk limitation in terms of geographical region while the sectoral concentration has been limited. Credit limits allocated are subject to revision at least once a year. The credit worthiness of the borrowers classified as “loans and other receivables under close monitoring” are revised at least twice a year due to Procedures and Principles regarding the regulation on determination of loans and other receivables. The loan limit is controlled by the main banking system and exceeding the specified limits is prohibited. When a revision becomes due, limits for which the loan worthiness has not been reviewed are suspended (except for cash provisions).

The Parent Bank's loan policy approved by the Board of Directors is reviewed a regular basis. In order to maintain the credit risk under control, there are additional limitations in the scope of Parent Bank credit policies apart from the Banking Law limitations. As defined in the document of credit policy, authorization of credit extension has been delegated to branches, the headquarters and the credit committee. Constraints on the use of these delegations;

- Collaterals, accepted as guarantees of loans issued, are clearly stated at credit policy.
- The Bank does not provide loans for arms manufacturers and traders, religious organizations, gambling companies, media companies, political organizations, sport clubs and companies operating in nuclear industry. Exceptions could be evaluated by the head office.
- Loans issued to the companies founded within last two years, real estate development companies and financial institutions as well as the investment projects , cash loan guarantees and loans for covering bank's risks and refinancing loans are evaluated by headquarters and authorized upper management.
- Derivative products' limits cannot be allocated in Branch authorization. Foreign currency loans and counter party / external guarantees cannot be issued by branches.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

The loans that are overdue more than 90 days as of the end of the reporting date or the loans in which the Bank has decided that the debtor has lost its credibility are classified as impaired receivables and general provision is allocated for these loans.

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

31 December 2018		
Risk Group	Amount	Average
Claims on sovereigns and Central Banks	3.330.169	3.001.975
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	38	55
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	1.688.315	1.815.282
Claims on corporates	11.411.201	12.092.907
Claims included in the regulatory retail portfolios	731.406	864.373
Claims secured by residential property	6.798.752	6.099.468
Past due loans	609.547	391.802
Higher risk categories decided by the Board	-	-
Secured by mortgages	-	-
Securitization positions	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other Receivables	493.064	597.786
Total	25.062.492	24.863.648

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

31 December 2017		
Risk Group	Amount	Average
Claims on sovereigns and Central Banks	2.422.430	2.196.564
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	335	348
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	901.004	1.192.925
Claims on corporates	11.537.131	11.341.978
Claims included in the regulatory retail portfolios	716.673	388.184
Claims secured by residential property	5.190.208	4.233.138
Past due loans	175.580	139.844
Higher risk categories decided by the Board	-	-
Secured by mortgages	-	-
Securitization positions	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	17
Other Receivables	642.810	627.583
Total	21.586.171	20.120.581

The Parent Bank's derivative transactions are mainly composed of foreign exchange and interest rate swaps money and interest options and forward transactions. The credit risks of these products are managed by deducting them from the company's credit limit, which is specified only for these types of transactions, in proportion to the term of the transaction. Market risk is managed by the Treasury, Capital market and Financial Institutions Group.

In forward transactions no type of coercive action outside of the other party's consent is taken.

Indemnified non-cash credits are subjected to the same risk weight as the credits which are past due date.

With regard to the credits renewed and re-structured with a new payment plan by the Parent Bank, the method adopted is the one specified by the relevant legislation. Within the framework of risk management systems a risk separation is not practiced as to the maturity of the liabilities.

The Group does not perform any kind of banking activity abroad.

When evaluated within the context of the financial operations of other financial institutions acting as active participants in the international banking market, the Group credit risk concentration at an acceptable level.

In the current period, the share of the Group receivables due to cash loans extended to its top 100 and top 200 customers are 76%, 84% (31 December 2017: 66% and 76%) within the total cash loan portfolio.

In the current period, the share of the Group receivables due to non-cash loans extended to its top 100 and top 200 customers are 62%, 76% (31 December 2017: 47% and 64%) within the total non-cash loans portfolio.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

In the current period, the share of the Group receivables due to the total of cash and non cash loans extended to its top 100 and top 200 customers are 74%, 83% (31 December 2017: 64% and 74%) within cash loans in balance sheet and non-cash loans in off-balance sheet.

As of 31 December 2018, the Group’s allocated expected credit losses for loans amounts to TL 462.655 (31 December 2017: General Provision TL 107.566).

a. Information on types of loans and specific provisions:

31 December 2018	Corporate	Consumer	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Standard Loans	11.528.509	615.626	-	2.080.712	7	14.224.854
Loans under close monitoring	1.814.350	41.169	-	533.799	-	2.389.318
Non-performing loans	662.297	23.379	773	184.549	-	870.998
Specific provision (-)	179.498	14.576	673	66.704	-	261.451
Total	13.825.658	665.598	100	2.732.356	7	17.223.719

31 December 2017	Corporate	Consumer	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Standard Loans	11.487.368	538.446	6.407	1.714.285	6	13.746.512
Loans under close monitoring	1.043.318	35.100	520	257.593	-	1.336.531
Non-performing loans	334.295	8.323	1.271	49.191	1.772	394.852
Specific provision (-)	175.691	4.655	1.130	36.968	829	219.273
Total	12.689.290	577.214	7.068	1.984.101	949	15.258.622

b. Information on loans and receivables past due but not impaired:

31 December 2018	Corporate	Consumer	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Past due 0-30 days	1.615.637	73.462	-	205.011	-	1.894.110
Past due 30-60 days	98.147	20.474	-	152.526	-	271.147
Past due 60-90 days	194.019	9.197	-	282.962	-	486.178
Total	1.907.803	103.133	-	640.499	-	2.651.435

31 December 2017	Corporate	Consumer	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Past due 0-30 days	1.025.557	43.440	712	349.820	-	1.419.529
Past due 30-60 days	14.176	11.292	152	62.916	-	88.536
Past due 60-90 days	41.379	5.092	42	190.311	-	236.824
Total	1.081.112	59.824	906	603.047	-	1.744.889

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

c. Information on debt securities, treasury bills and other bills:

31 December 2018	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Moody’s Rating				
Ba3 (*)	12.055	383.693	236.801	632.549
Total	12.055	383.693	236.801	632.549

31 December 2017	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Moody’s Rating				
Bal (*)	5.310	266.946	171.218	443.474
Total	5.310	266.946	171.218	443.474

(*) This table contains only Turkish Republic government bank bonds, bank bonds and treasury bills which are rated by Moody’s.

d. Information on rating concentration:

The Group evaluates its credit risk based on an internal rating system and the portfolio is classified from least probability of default to highest. The information about the concentration of cash and non cash loans which are classified with the rating system is presented below.

	31 December 2018	31 December 2017
Above average (%)	20,88	7,27
Average (%)	58,27	69,28
Below average (%)	17,36	20,08
Not rated (%)	3,48	3,37

e. Fair value of collaterals (loans and advances to customers):

31 December 2018	Corporate Loans	Consumer Loans	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Loans under close monitoring	783.879	16.205	-	988.709	-	1.788.793
Non-performing loans	350.571	1.175	111	35.594	-	387.451
Total	1.134.450	17.380	111	1.024.303	-	2.176.244

31 December 2017	Corporate Loans	Consumer Loans	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Loans under close monitoring	410.396	10.638	12	-	-	421.046
Non-performing loans	179.484	837	119	8.799	1.258	190.497
Total	589.880	11.475	131	8.799	1.258	611.543

Type of Collaterals	31 December 2018	31 December 2017
Real-estate mortgage	1.469.299	458.772
Pledge	350.006	21.364
Cash and cash equivalents	356.939	131.407
Total	2.176.244	611.543

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

f. Profile of significant exposures in major regions:

Current Period	Exposure Categories (*)																Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		17
31 December 2018																		
Domestic	4.110.383	-	8	-	-	53.263	10.002.151	636.674	6.578.467	594.607	-	-	-	-	-	-	493.062	22.468.615
EU Countries	-	-	-	-	-	1.440.786	-	5	-	-	-	-	-	-	-	-	-	1.440.791
OECD Countries (**)	-	-	-	-	-	655	-	-	-	-	-	-	-	-	-	-	-	655
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	13.199	16.250	5	-	14.940	-	-	-	-	-	-	-	44.394
Other Countries	-	-	-	-	-	168.008	3.026	1	-	-	-	-	-	-	-	-	-	171.035
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	4.110.383	-	8	-	-	1.675.911	10.021.427	636.685	6.578.467	609.547	-	-	-	-	-	-	493.062	24.125.490

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
5. Conditional and unconditional exposures to international organisations
6. Conditional and unconditional exposures to banks and brokerage houses
7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
13. Securitization Positions
14. Short term exposures to banks, brokerage houses and corporates
15. Exposures in the form of collective investment undertakings
16. Stock Exchange
17. Other receivables

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

f. Profile of significant exposures in major regions (Continued):

Prior Period	Exposure Categories (*)																Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		17
31 December 2017																		
Domestic	3.539.205	-	285	-	-	70.027	9.763.100	587.767	4.897.427	173.757	-	-	-	-	-	-	471.650	19.503.218
EU Countries	-	-	-	-	-	661.407	14	39	-	-	-	-	-	-	-	-	-	661.460
OECD Countries (**)	-	-	-	-	-	3.608	-	-	-	-	-	-	-	-	-	-	-	3.608
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	7.932	40.287	833	1.848	1.823	-	-	-	-	-	-	-	52.723
Other Countries	-	-	-	-	-	132.256	171	18	-	-	-	-	-	-	-	-	-	132.445
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	3.539.205	-	285	-	-	875.230	9.803.572	588.657	4.899.275	175.580	-	-	-	-	-	-	471.650	20.353.454

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
5. Conditional and unconditional exposures to international organisations
6. Conditional and unconditional exposures to banks and brokerage houses
7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
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14. Short term exposures to banks, brokerage houses and corporates
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(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

g. Risk profile according to sectors and counterparties:

31 December 2018	Exposure Categories (*)																	TL	FC	Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17				
Agriculture	-	-	-	-	-	-	18.490	2.635	18.583	2.706	-	-	-	-	-	-	-	28.367	14.047	42.415	
Farming and Stockbreeding	-	-	-	-	-	-	18.174	2.635	16.222	2.704	-	-	-	-	-	-	-	25.925	13.810	39.735	
Forestry	-	-	-	-	-	-	244	-	-	-	-	-	-	-	-	-	-	7	237	244	
Fishery	-	-	-	-	-	-	72	-	2.361	2	-	-	-	-	-	-	-	2.435	-	2.436	
Manufacturing	-	-	-	-	-	-	4.039.108	60.563	1.613.526	122.689	-	-	-	-	-	-	-	927.889	4.907.997	5.835.886	
Mining and Quarrying	-	-	-	-	-	-	185.517	4.931	635.449	4.062	-	-	-	-	-	-	-	87.000	742.959	829.959	
Production	-	-	-	-	-	-	2.872.485	55.518	852.375	118.627	-	-	-	-	-	-	-	833.027	3.065.978	3.899.005	
Electricity, Gas and Water	-	-	-	-	-	-	981.106	114	125.702	-	-	-	-	-	-	-	-	7.862	1.099.060	1.106.922	
Construction	-	-	-	-	-	-	2.325.099	18.831	2.552.327	164.340	-	-	-	-	-	-	-	1.606.668	3.453.930	5.060.598	
Services	-	-	-	-	-	1.675.911	3.510.115	34.196	2.236.053	201.079	-	-	-	-	-	-	-	1.834.938	5.822.414	7.657.352	
Wholesale and Retail Trade	-	-	-	-	-	-	1.403.878	17.218	685.879	59.924	-	-	-	-	-	-	-	614.625	1.552.274	2.166.899	
Hotel, Food and Beverage services	-	-	-	-	-	-	643.836	3.029	1.022.093	23.775	-	-	-	-	-	-	-	157.665	1.535.068	1.692.733	
Transportation and Telecom	-	-	-	-	-	-	340.437	5.407	242.987	73.517	-	-	-	-	-	-	-	228.039	434.309	662.347	
Financial Institutions	-	-	-	-	-	1.675.911	727.589	2.049	66.078	1.222	-	-	-	-	-	-	-	672.630	1.800.219	2.472.849	
Real Estate and Rental Services	-	-	-	-	-	-	289.686	3.499	191.092	37.952	-	-	-	-	-	-	-	74.501	447.728	522.229	
Self-employment Services	-	-	-	-	-	-	4.202	1.040	2.520	131	-	-	-	-	-	-	-	7.414	479	7.893	
Educational Services	-	-	-	-	-	-	19.760	127	6.429	3.804	-	-	-	-	-	-	-	19.340	10.780	30.120	
Health and Social Services	-	-	-	-	-	-	80.727	1.827	18.975	754	-	-	-	-	-	-	-	60.725	41.557	102.282	
Other	4.110.383	-	8	-	-	-	128.615	520.460	157.978	118.733	-	-	-	-	-	-	-	493.064	3.354.813	2.174.426	5.529.239
Total	4.110.383	-	8	-	-	1.675.911	10.021.427	636.685	6.578.467	609.547	-	-	-	-	-	-	-	493.064	7.752.676	16.372.814	24.125.490

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
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(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Bank.

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

g. Risk profile according to sectors and counterparties (Continued):

31 December 2017	Exposure Categories (*)																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Agriculture	-	-	-	-	-	-	32.300	3.049	7.326	1.155	-	-	-	-	-	-	-	22.881	20.949	43.830
Farming and Stockbreeding	-	-	-	-	-	-	29.040	2.176	6.226	1.131	-	-	-	-	-	-	-	20.805	17.768	38.573
Forestry	-	-	-	-	-	-	11	241	21	24	-	-	-	-	-	-	-	56	241	297
Fishery	-	-	-	-	-	-	3.249	632	1.079	-	-	-	-	-	-	-	-	2.020	2.940	4.960
Manufacturing	-	-	6	-	-	-	3.265.222	58.458	958.589	48.842	-	-	-	-	-	-	-	983.881	3.347.236	4.331.117
Mining and Quarrying	-	-	6	-	-	-	387.213	2.734	205.473	2.258	-	-	-	-	-	-	-	106.609	491.075	597.684
Production	-	-	-	-	-	-	2.240.776	54.449	668.628	46.584	-	-	-	-	-	-	-	871.519	2.138.918	3.010.437
Electricity, Gas and Water	-	-	-	-	-	-	637.233	1.275	84.488	-	-	-	-	-	-	-	-	5.753	717.243	722.996
Construction	-	-	-	-	-	-	2.332.227	10.624	1.697.762	59.133	-	-	-	-	-	-	-	1.296.887	2.802.859	4.099.746
Services	-	-	-	-	-	875.230	3.979.544	79.655	2.052.378	62.254	-	-	-	-	-	-	-	2.011.536	5.037.525	7.049.061
Wholesale and Retail Trade	-	-	-	-	-	-	1.939.112	68.253	837.681	44.115	-	-	-	-	-	-	-	896.477	1.992.684	2.889.161
Hotel, Food and Beverage services	-	-	-	-	-	-	350.616	2.360	816.160	3.500	-	-	-	-	-	-	-	47.232	1.125.404	1.172.636
Transportation and Telecom	-	-	-	-	-	-	395.240	4.561	183.724	6.855	-	-	-	-	-	-	-	171.423	418.937	590.360
Financial Institutions	-	-	-	-	-	875.230	876.439	807	44.977	1.095	-	-	-	-	-	-	-	807.207	991.341	1.798.548
Real Estate and Rental Services	-	-	-	-	-	-	363.724	2.352	146.513	681	-	-	-	-	-	-	-	33.362	479.908	513.270
Self-employment Services	-	-	-	-	-	-	7.621	190	3.467	-	-	-	-	-	-	-	-	10.956	322	11.278
Educational Services	-	-	-	-	-	-	16.730	119	3.221	3.695	-	-	-	-	-	-	-	13.370	10.395	23.765
Health and Social Services	-	-	-	-	-	-	30.062	1.013	16.635	2.333	-	-	-	-	-	-	-	31.509	18.534	50.043
Other	3.539.205	-	279	-	-	-	194.279	436.871	183.220	4.196	-	-	-	-	-	-	471.650	3.097.236	1.732.464	4.829.700
Total	3.539.205	-	285	-	-	875.230	9.803.572	588.657	4.899.275	175.580	-	-	-	-	-	-	471.650	7.412.421	12.941.033	20.353.454

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
5. Conditional and unconditional exposures to international organisations
6. Conditional and unconditional exposures to banks and brokerage houses
7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
13. Securitization Positions
14. Short term exposures to banks, brokerage houses and corporates
15. Exposures in the form of collective investment undertakings
16. Stock Exchange
17. Other receivables

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Bank.

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

h. Analysis of maturity-bearing exposures according to remaining maturities:

31 December 2018	Term To Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Risk classifications					
Claims on sovereigns and Central Banks	480.155	7.813	78.264	104.464	1.231.955
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	8	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	450.183	478.134	63.572	122.255	507.254
Claims on corporates	2.172.399	625.629	846.438	1.311.187	5.065.774
Claims included in the regulatory retail portfolios	34.957	20.438	29.331	68.358	483.602
Claims secured by residential property	175.943	146.994	301.027	348.558	5.605.942
Past due loans	825	41	939	6.408	109.631
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	3.314.470	1.279.049	1.319.571	1.961.230	13.004.158

31 December 2017	Term To Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Risk classifications					
Claims on sovereigns and Central Banks	1.285	38.764	186.842	36.818	2.248.602
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	272	-	-	-	13
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	193.079	177.651	134.569	12.883	338.362
Claims on corporates	1.036.400	558.202	712.775	1.408.374	6.087.821
Claims included in the regulatory retail portfolios	21.812	17.508	23.246	63.159	462.930
Claims secured by residential property	110.566	124.952	123.227	210.600	4.329.931
Past due loans	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	1.363.414	917.077	1.180.659	1.731.834	13.467.659

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(Continued)**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

i. Information about the risk exposure categories:

In the standard approach calculations, the Group uses Fitch Credit Rating Institution ratings when determining the risk weights of risk classes in accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks".

Fitch Credit Rating Institution ratings are taken into consideration when evaluating the entire class of receivables from central governments or central banks and receivable portfolios from financial institutions.

The Fitch Rating assigned to a debtor is valid for all of the debtor's assets, no exception is made for a specific category of assets.

A Credit Rating Institution which is not included in the institution's mapping table is not taken into consideration in the credit risk amount calculation process.

j. Exposures by risk weights:

31 December 2018								
Risk Weights	0%	20%	35%	50%	75%	100%	150%	Deductions from Equity
1.Exposures before Credit Risk Mitigation	2.246.281	755.199	888.813	4.538.618	676.011	14.732.974	287.592	480
2. Exposures after Credit Risks Mitigation (*)	3.072.134	816.511	844.584	4.231.924	617.443	14.363.481	179.413	480

(*) The bank mitigates the credit risk using the simple financial collateral methods.

31 December 2017								
Risk Weights	0%	20%	35%	50%	75%	100%	150%	Deductions from Equity
1.Exposures before Credit Risk Mitigation	2.198.742	460.925	704.483	3.707.774	629.544	12.603.193	48.794	131
2. Exposures after Credit Risks Mitigation (*)	3.502.336	478.435	658.399	3.366.131	569.993	11.737.511	40.648	131

(*) The bank mitigates the credit risk using the simple financial collateral methods.

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(Continued)**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

k. Informations in terms of major sectors and type of counterparties:

31 December 2018	Loans		Provisions	
Major Sectors / Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Non-Performing (Regulation of Provision-Stage 2)	Non-Performing (Regulation of Provision-Stage 3)
Agriculture	3.686	10.115	48	7.409
Farming and Stockbreeding	3.293	9.549	48	6.845
Forestry	-	539	-	539
Fishery	393	27	-	25
Manufacturing	432.115	211.241	98.583	88.552
Mining and Quarrying	25.399	8.699	847	4.637
Production	406.310	202.538	97.736	83.911
Electricity, Gas and Water	406	4	-	4
Construction	369.189	206.081	14.816	41.741
Services	1.174.607	304.838	111.895	103.759
Wholesale and Retail Trade	129.384	105.179	10.700	45.255
Accommodation and Dining	801.398	28.643	79.902	4.868
Transportation and Telecom	5.051	105.324	96	31.807
Financial Institutions	111	1.501	-	279
Real Estate and Rental Services	221.210	57.860	20.903	19.908
Professional Services	-	395	-	264
Educational Services	489	4.931	28	1.127
Health and Social Services	16.964	1.005	266	251
Other	409.721	138.723	95.724	19.990
Total	2.389.318	870.998	321.066	261.451

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

k. Informations in terms of major sectors and type of counterparties (Continued):

31 December 2017	Credits		Provisions	
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	6.885	3.717	37	5.730
Farming and Stockbreeding	6.263	2.960	30	5.132
Forestry	566	21	-	542
Fishery	56	736	7	56
Manufacturing	132.744	373.988	3.267	83.902
Mining and Quarrying	14.869	18.008	25	12.611
Production	117.678	355.980	3.242	71.094
Electricity, Gas and Water	197	-	-	197
Construction	91.765	137.771	1.151	32.632
Services	151.020	912.455	3.782	88.766
Wholesale and Retail Trade	124.300	500.537	340	80.185
Accommodation and Dining	6.279	369.248	3.353	2.779
Transportation and Telecom	9.008	23.257	32	2.173
Financial Institutions	1.267	225	2	172
Real Estate and Rental Services	1.177	9.099	3	496
Professional Services	827	312	3	827
Educational Services	4.932	350	3	1.237
Health and Social Services	3.230	9.427	46	897
Other	12.438	316.958	1.819	8.243
Total	394.852	1.744.889	10.056	219.273

(*) Includes overdue loans that are not under close monitoring.

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

1. Information about Value Adjustment and Change in Provisions:

31 December 2018	Opening Balance	IFRS 9 Transition Effect	Provision for Period	Write off from Asset	Other Adjustments (*)	Closing Balance
1. Specific Provisions (**)	221.662	17.910	257.880	11.733	(239.221)	269.964
2. General Provisions	150.032	235.947	8.410	(18.818)	87.084	462.655
Total	371.694	253.857	266.290	(7.085)	(152.137)	732.619

(*) The Other Adjustments column consists of asset sales and exchange rate differences of provisions in foreign currencies.

(**) Includes specific provisions allocated for uncompensated non-cash loans, cheque-book allowances and free provisions which the Bank has classified as non-performing loans.

31 December 2017	Opening Balance	Provision for Period	Write off from Asset	Other Adjustments (*)	Closing Balance
1. Specific Provisions (**)	175.497	130.229	(45.912)	4.314	264.128
2. General Provisions	90.245	9.195	-	8.126	107.566
Total	265.742	139.424	(45.912)	12.260	371.694

m. Risks Included in Cyclical Capital Buffer Calculation :

None.

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT:

Risk Management Approach and Risk Weighted Amounts

a. Risk Management Approach of the Group:

1. The way risk profile of the Group is determined by business model and its interaction and risk appetite:

The Group prepares its business strategy including medium and long term growth objectives and makes an annual revision through reviewing. The Group reviews its business strategy annually in a periodic manner and aforementioned business strategies are reviewed ad hoc and more frequently and can be revised if it is required by economic developments and market conditions. Risk appetite of the Group is designated in full compliance with its business strategy and main risks, which shall be taken due to main components of main activity area and business strategy of the Group, comprise main inputs of risk appetite determined by Board of Directors.

2. Risk management structure: Responsibilities assigned within the body of the Group:

Board of Directors is responsible for developing a risk appetite in compliance with business strategy of the Bank and establishing a risk management system in line with risk appetite. Board of Directors carries out activities such as definition, monitoring, reporting of the risk and developing risk mitigating measures through Audit Committee, Board of Directors Risk Committee, Risk Coordination Committee, Assets and Liabilities Committee (ALCO) and Risk Management Group, Internal Control Centre, Directorate of Supervisory Board and Compliance Departments.

Audit Committee controls whether provisions included in legislation related risk management and intra-group and implementation procedures approved by the Board of Directors are applied or not and makes recommendations to board of directors regarding measures which should be taken. It also evaluates whether there are method, instrument and implementations procedures required for identification, measurement, monitoring and controlling of Group's risks or not.

Board of Directors Risk Committee is responsible for the development of risk management systems in line with business strategy and risk appetite of the Group, presentation of amendment recommendations related to risk management policies to Board of Directors and establishment of required method, instrument and implementation procedures in order to ensure identification, measurement, monitoring and reporting of risks by non-executive independent departments.

ALCO is responsible to monitor and manage structural asset-liability non-compliance of the Parent Bank together with the monitoring and controlling of liquidity and exchange risks through holding meetings on a weekly basis.

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

**2. Risk management structure: Responsibilities assigned within the body of the Group
(Continued):**

Risk Management Department, which carries out its activities independent from executive functions, consist of Credit Risk and Modelling Department, Market Risk Department and Operation Risk Department. Credit Risk and Modelling Department is responsible for defining, measuring, monitoring and reporting of outputs with respect to risks exposed by the Parent Bank and its partners which are subject to consolidation and sharing of solution recommendations for risk mitigation with related departments. Credit risk appetite limits, which are approved by Board of Directors, are monitored in specific periods and results are reported to Board of Directors and Senior Management. The department gives support to credit risk analysis through stress tests, reverse stress tests and scenario analysis. Market Risk Department is responsible for defining, measuring, monitoring and reporting of outputs with respect to risks exposed by the Parent Bank and its partners which are subject to consolidation. The department is also responsible to monitor and report limits specified related to treasury risk parameters and liquidity risk. Limit-risk follow-up regarding counterparty credit risk, stress tests and scenario analysis are also under the responsibility of the department in question.

Operation Risk Department carries out definition, measurement, evaluation, controlling, mitigation, monitoring and reporting activities of operational risks. Internal Audit is responsible for the evaluation of operational risk management framework with its all aspects in an independent manner. The aforementioned evaluation includes both activities of business units and also activities of Operation Risk Management.

Internal Control Center carries out activities at secondary control level in order to monitor and report risks and develop measures reducing risks with executive departments. Directorate of Supervisory Board carries out required intra-company audits in order to reduce risks exposed by the Parent Bank to a minimum level.

Compliance Department carries out the function to monitor legislative amendments and validity and effective date of regulations and timely informing of related parties with respect to aforementioned issues. Regulations, which are directly or indirectly related to risks exposed by Parent Bank are shared with both executive and non-executive departments such as Risk Management Group.

3. Channels which are used to extend and apply risk culture in the Group:

Risk Management application is developed on Intranet platform for the purpose of increasing awareness of employees in order to extend risk culture within the body of the Group. Through this application, trainings and documents increasing awareness are shared with employees. Online trainings, related to risk management developed in order to raise awareness of employees, are shared with employees via remote training platform. Risk point of views of employees are supported through in-class trainings, if required.

Information on risk position of the Group, expected and unexpected loss estimations, impacts of negative conditions on balance sheet of the Group and realization levels of risk appetite limits determined by Board of Directors is share with Board of Directors, related committees and senior management by Risk Management Group through reports issued. If there exists an overflow on the risk appetite limits, related departments are informed in order to ensure taking of pre-determined measures and results are monitored by Risk Management Group.

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

4. Main components and scope of risk measurement systems:

Rating is used for corporate and commercial clients while scoring is used for retail loans in the Group in order to measure loan risk. Internal rating systems are designated in the framework of business strategy, risk appetite, regulations of authorities with respect to rating systems and internal policies and their performances are periodically monitored by Risk Management Group and results are reported to Board of Directors and senior management. On the other hand, validations of rating models are coordinated by Credit Risk and Modelling Department. The Group has information systems enabling reporting according to sector, segment, branch, exchange rate, maturity, internal rating grade and risk class of credit portfolio. Risk appetite limits determined in the Loan Risk Policy are monitored on a monthly basis and reported to Board of Directors and senior management.

The Group determines internal limits which are revised in the framework of business model, strategy and risk appetite of the Group reviewed at least on an annual basis for exchange rate, interest, counterparty and liquidity risk which may be exposed. All limits are approved by Board of Directors and monitored in an effective manner by Board of Directors.

Basic Indicator Approach is used in order to determine capital requirement required for operational risk in accordance with legislations of BRSA. The Group performs self-evaluation studies in order to raise awareness in operational risks, determine current operational risks and reduce possible negative impacts of such risks to minimum.

5. Disclosures on risk reporting processes provided to Board of Directors and senior management:

Risk Management Group reports results of analysis related to risks such as credit, liquidity and operational to Board of Directors, Audit Committee, Board of Directors Risk Committee, Risk Coordination Committee, ALCO and senior management. Reporting is made to Risk Coordination Committee and Board of Directors on a monthly basis while it is made to Audit Committee and Board of Directors Risk Committee on a quarterly basis.

Results of concentration and credit risk stress test based on sector, segment, maturity, collateral, currency, internal rating grade of credit; structural interest rate risk sourcing from banking accounts, details related to derivatives, liquidity analysis, stress tests made related to counterparty credit risk, deposit concentration, realizations related to risk appetite limits of market and liquidity; historical developments of operational risks based on loss categories and their distribution based on Parent Bank and subsidiaries are included in aforementioned reports.

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

6. Disclosures on Stress Test:

The Group makes stress tests for risk categories of credit, market, liquidity and operational risk both in scope of Internal Capital Adequacy Assessment Process (ICAAP) and also as periodical internal and results are shared with Board of Directors, senior management and audit authority, if required.

The Group considers scenarios announced by BRSA and pre-determined negative and extremely negative scenarios for stress tests made in scope of ICAAP. Scenarios are determined through taking macro-economic variables, business strategy and risk appetite of the Group and negative past conditions into account. In scope of ICAAP, both particular and also total stress tests are made based on significant risk types.

Internal periodic stress tests are made in the framework of scenarios determined internally in accordance with portfolio, business strategy, risk appetite and retrospective estimations of the Group. The Group prepares its internal periodic stress tests through benefiting from sensitivity analysis, stress test, reverse stress test and scenarios analysis instruments. Credit risk stress tests include scenarios such as depreciation of Turkish Lira and increase in overdue receivables. On the other hand, reverse stress tests towards risk appetite limits through scenario analysis related to concentration index are periodically made.

Impact of each shocks on profitability and capital is measured in stress tests made in scope of Market Risk. Risk factors, for which a shock is applied, are exchange rates, interests and prices of shares. Foreign exchange position gain/loss sourcing from sudden exchange and interest movements, banking activities, impact of Interbank transactions and Commercial Funding on capital, bond, derivative and share portfolio gain/loss are calculated in stress tests.

Impact of exchange and interest shocks on derivative portfolio specific for customer is reviewed in scope of Counterparty Credit Risk stress tests and results are discussed in related committees.

In scope of operational risk tests, loss estimation is made through statistical methods via taking historical loss data into account and its effect on capital requirement is reviewed.

7. Risk management, hedging and mitigation strategies and process of the group sourcing from its business model and Monitoring processes of continuing effects of protection and mitigation

The Group includes collaterals in Communique on Credit Risk Mitigation Techniques to credit risk mitigation with respect to capital requirements calculations and those collaterals are used in calculations over their consideration rates in the aforementioned communique. The operational conditions mentioned in the Communique should be met in order to be able to include collaterals in credit risk mitigation.

Determination of actions towards mitigation through evaluating risks exposed in current processes, key risk indicators and loss events, use of support services and pre-evaluation studies of implementation procedures and policies of new products are carried out in order to mitigate risk which are exposed or shall be exposed in operational risk management. Insurances towards risk mitigation are made. Risk mitigation exposed due to a cut-off is aimed to be reduced through Business Continuity Plan approved by Board of Directors ensuring the continuity of operations in reasonable periods. In this scope, Business Continuity Plan is periodically tested and required updates are made.

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

b. Overview of risk weighted amounts

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of the date 31 December 2018:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an IMA

		Risk Weighted Amounts		Minimum Capital Liability
		Current Period	Prior Period	Current Period
		31 December 2018	31 December 2017	31 December 2018
1	Credit risk (excluding counterparty credit risk) (CCR)	17.180.635	13.960.500	1.374.451
2	Standardised approach (SA)	17.180.635	13.960.500	1.374.451
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	655.978	367.260	52.478
5	Standardised approach for counterparty credit risk (SA-CCR)	655.978	367.260	52.478
6	Internal Model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory Formula Approach (SSFA)	-	-	-
16	Market risk	212.519	127.984	17.002
17	Standardised approach (SA)	212.519	127.984	17.002
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	965.488	816.153	77.239
20	Basic indicator approach	965.488	816.153	77.239
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor Adjustments	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	19.014.620	15.271.897	1.521.170

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

c. Relationships between financial statements and risk amounts

1. Differences and matching between asset and liabilities’ carrying values in financial statements and risk amounts in capital adequacy calculation:

31 December 2018	Carrying values of items in accordance with TAS						
	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with 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							
Cash and balances with the Central Bank	2.746.416	2.746.416	2.746.416	-	-	-	480
Trading Financial Assets	494.002	494.002	-	481.231	-	238.645	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Banks	196.243	196.243	196.608	-	-	-	-
Money Market Placements	9.000	9.000	9.000	-	-	-	-
Financial Assets Available-for-Sale (net)	393.064	393.064	393.149	-	-	-	-
Loans and Receivables	14.174.683	14.174.683	14.652.562	-	-	-	-
Factoring Receivables	7	7	7	-	-	-	-
Held-to-maturity investments (net)	236.801	236.801	236.801	222.667	-	-	-
Investment in Associates (net)	-	-	-	-	-	-	-
Investment in Subsidiaries (net)	-	-	-	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-	-	-
Lease Receivables	2.614.511	2.614.511	2.614.511	-	-	-	-
Derivative Financial Assets Held For Hedging	664.968	664.968	-	664.968	-	-	-
Property And Equipment (Net)	63.737	63.737	44.791	-	-	-	18.946
Intangible Assets (Net)	45.003	45.003	-	-	-	-	45.003
Investment Property (Net)	-	-	-	-	-	-	-
Tax Asset	38.717	38.717	38.717	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	113.385	113.385	113.385	-	-	-	-
Other Assets	238.328	238.328	209.926	-	-	-	-
Total assets	22.028.865	22.028.865	21.255.873	1.368.866		238.645	64.429
Liabilities							
Deposits	9.915.300	9.915.300	-	-	-	-	9.915.300
Derivative Financial Liabilities Held for Trading	288.925	288.925	-	-	-	-	49.461
Funds Borrowed	6.860.607	6.860.607	-	239.464	-	145.908	6.860.607
Money Markets	180.228	180.228	-	180.228	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	885.472	885.472	-	-	-	-	885.472
Other Liabilities	225.172	225.172	-	-	-	-	225.172
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	70.273	70.273	-	-	-	-	70.273
Provisions	91.663	91.663	-	-	-	-	91.663
Tax Liability	35.773	35.773	-	-	-	-	35.773
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	1.599.472	1.599.472	-	-	-	-	1.599.472
Shareholder’s Equity	1.875.980	1.875.980	-	-	-	-	1.875.980
Total Liabilities	22.028.865	22.028.865	-	419.692		145.908	21.609.173

(*) On the table above, amounts of allocated IFRS 9 loss provisions in the current period are presented in the related balance sheet entries.

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

31 December 2017	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with TAS	Carrying values of items in accordance with TAS				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	
Assets							
Cash and balances with the Central Bank	2.027.340	2.027.340	2.027.340	-	-	-	-
Trading Financial Assets	143.939	143.939	-	138.497	-	153.218	131
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Banks	168.729	168.729	168.729	-	-	-	-
Money Market Placements	11.000	11.000	11.000	-	-	-	-
Financial Assets Available-for-Sale (net)	276.595	276.595	276.595	67.616	-	-	-
Loans and Receivables	13.286.738	13.286.738	13.253.061	33.677	-	-	-
Factoring Receivables	6	6	6	-	-	-	-
Held-to-maturity investments (net)	171.218	171.218	171.218	-	-	-	-
Investment in Associates (net)	-	-	-	-	-	-	-
Investment in Subsidiaries (net)	-	-	-	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-	-	-
Lease Receivables	1.971.878	1.971.878	1.971.878	-	-	-	-
Derivative Financial Assets Held For Hedging	269.300	269.300	-	269.300	-	-	-
Property And Equipment (Net)	72.100	72.100	53.508	-	-	-	18.592
Intangible Assets (Net)	47.308	47.308	-	-	-	-	47.308
Investment Property (Net)	-	-	-	-	-	-	-
Tax Asset	21.029	21.029	21.029	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	45.095	45.095	45.095	-	-	-	-
Other Assets	242.423	242.423	242.423	-	-	-	-
Total assets	18.754.698	18.754.698	18.241.882	509.090	-	153.218	66.031
Liabilities							
Deposits	8.872.471	8.872.471	-	-	-	-	8.872.471
Derivative Financial Liabilities Held for Trading	160.778	160.778	-	110.938	-	105.634	49.840
Funds Borrowed	6.082.762	6.082.762	-	-	-	-	6.082.762
Money Markets	256.216	256.216	-	200.159	-	-	56.057
Marketable Securities Issued	-	-	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	353.907	353.907	-	-	-	-	353.907
Other Liabilities	53.867	53.867	-	-	-	-	53.867
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	53.975	53.975	-	-	-	-	53.975
Provisions	198.067	198.067	-	-	-	-	198.067
Tax Liability	69.598	69.598	-	-	-	-	69.598
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	1.140.582	1.140.582	-	-	-	-	1.140.582
Shareholder's Equity	1.512.475	1.512.475	-	-	-	-	1.512.475
Total Liabilities	18.754.698	18.754.698	-	311.097	-	105.634	18.443.601

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

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

	31 December 2018	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	22.863.384	21.255.873	-	1.368.866	238.645
2	Liabilities carrying value amount under regulatory scope of consolidation	(565.600)	-	-	(419.692)	(145.908)
3	Total net amount under regulatory scope of consolidation	22.297.784	21.255.873	-	949.174	92.737
4	Off-Balance Sheet Amounts	-	-	-	-	-
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	2.040.225	1.521.527	-	398.9168	119.782
9	Differences due to credit risk reduction	-	-	-	-	-
10	Risk Amounts	24.338.009	22.777.400	-	1.348.090	212.519

	31 December 2017	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	18.904.190	18.241.882	-	509.090	153.218
2	Liabilities carrying value amount under regulatory scope of consolidation	(416.731)	-	-	(311.097)	(105.634)
3	Total net amount under regulatory scope of consolidation	18.487.459	18.241.882	-	197.993	47.584
4	Off-Balance Sheet Amounts	-	-	-	-	-
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	1.993.978	1.392.261	-	521.317	80.400
9	Differences due to credit risk reduction	-	-	-	-	-
10	Risk Amounts	20.481.437	19.634.143	-	719.310	127.984

3. Disclosures on Differences between Amounts valued in accordance with TAS and Risk Exposures

There exists no difference between accounting and legal consolidation scopes of the Group.

Significant differences between amounts valued in accordance with TAS and Risk exposures source from securities and derivatives. Securities mentioned in repo transaction in financial assets held for trading and held for sale financial assets are designated in Money Markets Debts item. For derivative transactions, the Group has foreign exchange swap and interest swap products which are monitored under trading accounts and made for structural interest rate risk and liquidity risk management. Therefore, those products should not be considered in scope of market risk although they are monitored under trading accounts in accordance with TAS.

Valuation methodologies, including disclosure on using of market value and model value methodologies, performs valuation of financial assets of the Parent Bank tracked under trading accounts on a daily basis. Market prices, obtained from independent data providers, are kept in treasury system and valuations are made systemically.

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

Market values of products such as forward exchange, foreign exchange swaps and interest swaps traded in over the counter markets are calculated based on discounting of cash flows over market interest rates. Globally accepted valuation methodologies are used for option products.

The Parent Bank uses weighted average prices for securities trades in BIST for Turkish Lira securities portfolio while it uses prices in nature of indicator announced by Central Bank for securities not traded on BIST. Market average prices, obtained from independent data providers, are used for foreign currency securities.

The Parent Bank makes all calculations of fair values based on mid price.

Description of independent price approval processes: The Parent Bank obtains market prices, which shall be used in valuation, from independent data providers and manages through checkpoints established independent from risk generating unit/departments. Valuation prices are determined through collection of data in treasury system for risk factors exposed at a pre-determined hour in each day. The aforementioned data is formed following an inquiry executed by Information Technologies without the interruption of any users. Prices, which shall be used in valuations, are controlled by Market Risk Department on a daily basis.

Besides, Market Risk Department controls and documents yield curves, valuation methods and accuracy of fair value calculations periodically.

Processes for valuations adjustments or differences: The Group does not make valuation adjustment since financial assets recognized at fair value are traded on an active market.

d. Credit Risk Disclosures

1. General Qualitative Information on Credit Risk

(i) Conversion of Bank’s business model to components of credit risk profile

The Group has forward-looking measurement and forecast instruments which are sensitive to risk and including appropriate information technology applications and management information systems in order to take expected or unexpected losses into account in all types of risk under both normal and also negative market conditions. The conversion of business model to components in risk profile is digitized through aforementioned instruments. The Group especially uses stress test and scenario analysis in order to measure effects of negative conditions on bank’s portfolio and business strategy and risk appetite to the Group is considered while determining parameters for respective analysis.

(ii) Criteria and approach used during the determination of credit risk policy and credit risk limits

The Group determines short, medium and long term credit strategies in line with business strategy and risk appetite and performs studies in line with criteria details in policies of credit policies and credit risk policies in order to minimize expected and unexpected losses exposed due to credit operations. Credit policies determines procedures related to crediting, monitoring, collection and administrative and legal proceedings based on prudent man and applicability principles. Besides, general framework of credit risk studies made in order to execute credit risk in an efficient manner which is requested by legal authorities. Therefore, Credit Risk Policy, forming top level framework of credit risk studies of the Group, and credit risk limits detailed in this document are determined based on legal requirements, business strategy of the Group, credit strategy, risk appetite and credit policies and reviewed at least annually and updated, if required. Business strategy, risk appetite and retrospective portfolio realizations are taken into consideration while determining credit risk limits. On the other hand, methods such as stress test and reverse stress test are used during the determination of limit levels.

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

(iii) Structure and organization of credit risk management and control function

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Group in favour of individuals or legal entities are reviewed in scope of credit risk management. In this context, first level of controls are detailed in credit policies and implementation principles. Internal rating systems are benefited as well as credit allocation processes in order to measure creditability of customers.

Credit risk studies in scope of capital adequacy are carried out by Credit Risk and Modelling Department within the body of Risk Management Group in the framework of Credit Risk Policy. Credit Risk Policy include activities related to credit risk management, credit risk management organization, related parties and their responsibilities and duties, main principles, implementations, limits and reporting determine in credit risk management.

Duties and responsibilities of Risk Management Group Credit Risk and Modelling Department with respect to credit risk management are as follows:

- To make principal amount calculations subject to legal credit risk in the framework of determined rules by related regulations of BRSA and to monitor up-to-dateness of application used in this scope,
- To report results of analysis related to risk definition, measurement, analysis, monitoring and portfolio subject to in/off balance sheet credit risks to senior management in scope of Credit Risk Policy approved by Board of Directors and related application principles,
- To support development of rating/score card models for corporate, commercial and retail credits, to monitor their performances and to participate/coordinate their validation studies,
- To perform credit risk stress test, reverse stress test and scenario analysis determined through related regulations of BRSA and approved by Board of Directors and to share respective results with Risk Coordination Committee, senior management, Audit Committee, Board of Directors Risk Committee and Board of Directors,
- To make probability of default (PD), loss given default (LGD) and residual risk calculations based on internal rating models and share opinion and recommendations for the establishment of infra-structure for aforementioned calculations,
- To analyse credits portfolio through applying stress test, reverse stress test and scenario analysis, if required, for credit risk management,
- To monitor, report risk appetite limits determined in Credit Risk Policy periodically and share opinion and recommendations in revision of risk appetite limits,
- To share recommendations developed for stress test and scenario analysis in order to be presented to Board of Directors, with Risk Coordination Committee and Risk Committee.

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

(iv) Relation between credit risk management, risk control, legal compliance and internal audit functions

A triple layered control mechanism is established in order manage credit risk and to reduce expected and unexpected losses to a minimum level at the Group. First level of controls are performed by executive units and include controls in entering into credit relation with customers having high level of creditability, credit allocation, crediting, repayment and monitoring phases. Second level of controls includes activities performed by Risk Management Group and Internal Control Centre and consist of definition, measurement, monitoring, reporting of risks and development of measures which shall reduce credit risk with executive departments. Third level of controls are performed by Supervisory Board. Directorate of Supervisory Board carries out required intra-company audits in order to reduce risks exposed by the Bank to a minimum level.

Compliance Department carries out the function to monitor legislative amendments and validity and effective date of regulations and timely informing of related parties with respect to aforementioned issues. Regulations, which are directly or indirectly related to risks exposed by Bank are shared with both executive and non-executive departments such as Risk Management Group.

Internal Audit function is executed by Directorate of Supervisory Board at the Bank. In this context, evaluations with respect to credit risk are carried out by Directorate of Supervisory Board through taking risks exposed by the Parent Bank and related controls into account in the framework of annual audit plans. Assurance is provided on effectiveness and sufficiency of internal control and risk management strategies related to credit risk activity field executed towards strategies and objectives of the Group through credit risk management in scope of headquarters unit and process audits and branch audits including participation of Directorate of Supervisory Board.

Managers of Risk Management Group, Internal Control Centre, Compliance Department and Directorate of Supervisory Board inform members of Committee through holding Risk Coordination Committee on a two week basis and Audit Committee and Board of Directors Risk Committee meetings held on quarterly basis. Issues determined in the framework of second and third level of controls are examined in meetings for credit risk management and risk mitigation measures are reviewed. Those departments report to Board of Directors through Audit Committee and Board of Directors Risk Committee.

(v) Disclosures regarding risk reporting processes provided to members of Board of Directors and senior management

Credit risk exposed by the Group is monitored periodically by Risk Management Group Credit Risk and Modelling Departments and results are shared with senior managers of ALCO, credit marketing and allocation on a weekly basis, with Board of Directors and Risk Coordination Committee on a monthly basis and with Board of Directors Risk Committee on a quarterly basis. The scope and main content of aforementioned reports consist of sector, segment, risk classes, internal rating grades, collateral concentration of credit portfolio; close monitoring and legal proceedings portfolios, ageing analysis, probability of default estimations calculated based on rating and scoring systems , foreign currency and maturity concentrations, capital adequacy, periodical comparisons and result of stress test and scenarios analysis.

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

2. Credit quality of assets

31 December 2018		Gross carrying values of as per TAS		Allowances/ impairments	Net values
Current Period	Defaulted exposures	Non-defaulted exposures			
1	Loans	870.998	13.999.661	697.517	14.173.142
2	Debt Securities	-	633.265	85	633.180
3	Off-balance sheet exposures	25.307	2.319.967	35.017	2.310.257
4	Total	896.305	16.952.893	732.619	17.116.579

31 December 2017		Gross carrying values of as per TAS		Allowances/ impairments	Net values
Current Period	Defaulted exposures	Non-defaulted exposures			
1	Loans	394.852	13.111.165	314.617	13.191.400
2	Debt Securities	-	444.427	1	444.426
3	Off-balance sheet exposures	21.806	2.574.379	6.564	2.589.621
4	Total	416.658	16.129.971	321.182	16.225.447

3. Changes in stock of defaulted loans and debt securities

31 December 2018		
1	Defaulted loans and debt securities at the end of the previous reporting period	416.658
2	Loans and debt securities that have defaulted since the last reporting period	1.005.437
3	Returned to non-defaulted status	-
4	Amounts written off	249.936
5	Other changes	(275.854)
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	896.305

31 December 2017		
1	Defaulted loans and debt securities at the end of the previous reporting period	296.841
2	Loans and debt securities that have defaulted since the last reporting period	161.820
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	(42.003)
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	416.658

4. Additional disclosures related to credit quality of assets:

i. Scope and descriptions of “overdue” receivables and “provisioned” receivables which are used for accounting and differences between descriptions of “overdue” and “provisioned”, if available.

Receivables having a delay of more than 90 days are defined as “overdue receivables”. There is no difference between “overdue receivable” and “provisioned” definitions since provision is made for the whole overdue receivables.

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

**ii. Part of overdue receivables (more than 90 days) which are not evaluated as “provisioned”
and reasons for this application:**

None.

iii. Descriptions of methods used while determining provision amounts:

As of 1 January 2018, in accordance with the Communiqué related to “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” published in the Official Gazette no. 29750 dated 22 June 2016, the Group has started to allocate a loss allowance for expected credit losses on financial assets and loans measured at amortized cost in accordance with IFRS 9. In this context, as of 31 December 2017, the credit loss allowance method within the framework of the BRSA’s related legislation has been changed to the loss allowance for expected credit losses model with the implementation of IFRS 9. The predictions of expected credit loss forecasts include credible information which is objective, probability-weighted, supportable about past events, current conditions, and forecasts of future economic conditions.

iv. Descriptions of restructured receivables:

Loans and other receivables can be restructured, through providing additional loan, if required, or linked to a repayment schedule in order to provide collection of receivable of the bank and provide liquidity capacity to debtor if the non-fulfillment of liabilities related to credits and other receivables is sourcing from temporary liquidity deficiency in accordance with 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”).

v. Breakdown of receivables according to geographical regions, sector and residual maturity:

Separation of receivables according to geographical area (cash and non-cash loans and follow-up receivables):

		31 December 2018	31 December 2017
1	Domestic	18.933.313	15.387.029
2	European Union Countries	149.214	15.850
3	OECD Countries (*)	-	-
4	Off-shore Banking Regions	-	-
5	USA, Canada	22.737	1.823
6	Other Countries	3.904	691
7	Associates, Subsidiaries and Jointly Controlled Entities	-	-
8	Unallocated Assets / Liabilities	-	-
9	Total	19.109.168	15.405.393

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

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

Breakdown of receivables by sector (Cash and non-cash loans and follow-up receivables):

	31 December 2018	31 December 2017
1 Agriculture	37.841	45.857
2 Farming and Stockbreeding	35.281	40.799
3 Forestry	233	45
4 Fishery	2.327	5.013
5 Manufacturing	5.686.796	4.250.160
6 Mining and Quarrying	976.443	696.885
7 Production	3.604.840	2.861.350
8 Electricity, Gas and Water	1.105.513	691.925
9 Construction	5.139.126	4.289.802
10 Services	6.212.277	4.979.258
11 Wholesale and Retail Trade	2.157.731	1.523.026
12 Accommodation and Dining	1.622.105	1.164.710
13 Transportation and Telecom	617.194	574.441
14 Financial Institutions	1.091.939	1.092.728
15 Real Estate and Rental Services	587.169	535.828
16 Professional Services	6.992	13.391
17 Educational Services	31.000	24.601
18 Health and Social Services	98.147	50.533
19 Other	2.033.128	1.840.316
20 Total	19.109.168	15.405.393

(*) In the table above, leasing receivables is not included in total loans for the prior period.

Separate receivables according to remaining demand (cash and non-cash loans and follow-up receivables):

	1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributable	Total
31 December 2018							
Cash and Non-cash loans	3.704.209	2.004.112	4.169.831	6.715.845	1.905.624	609.547	19.109.168
31 December 2017							
Cash and Non-cash loans (*)	1.486.310	2.657.370	2.974.960	6.363.790	1.735.702	187.261	15.405.393

(*) In the table above, leasing receivables is not included in total loans for the prior period.

vi. Amounts of receivables provisioned based on geographical regions and sector and amount written-off from assets through related provisions

Geographical and sectoral breakdowns of impaired and overdue receivables and provisions made for those receivables and value adjustments are shown below, and all amounts included in this table are domestic.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

		31 December 2018		31 December 2017	
		Non Performing Loans	Special Provisions	Non Performing Loans	Special Provisions
1	Agriculture	10.115	7.409	6.885	5.730
2	Farming and Stockbreeding	9.549	6.845	6.263	5.132
3	Forestry	539	539	566	542
4	Fishery	27	25	56	56
5	Manufacturing	211.241	88.552	132.744	83.902
6	Mining and Quarrying	8.699	4.637	14.869	12.611
7	Production	202.538	83.911	117.678	71.094
8	Electricity, Gas and Water	4	4	197	197
9	Construction	206.081	41.741	91.765	32.632
10	Services	304.838	103.759	151.020	88.766
11	Wholesale and Retail Trade	105.179	45.255	124.300	80.185
12	Accommodation and Dining	28.643	4.868	6.279	2.779
13	Transportation and Telecom	105.324	31.807	9.008	2.173
14	Financial Institutions	1.501	279	1.267	172
15	Real Estate and Rental Services	57.860	19.908	1.177	496
16	Professional Services	395	264	827	827
17	Educational Services	4.931	1.127	4.932	1.237
18	Health and Social Services	1.005	251	3.230	897
19	Other	138.723	19.990	12.438	8.243
20	Total	870.998	261.451	394.852	219.273

Provisions allocated for written off receivables amounting to TL 249.936 belong to domestic receivables. 75% percent of the amount written off is related to the manufacturing industry while 9% is related to wholesale and retail trade and 16% is related to other sectors.

vii. Aging analysis for overdue receivables.

Aging analysis for overdue receivables are included in Section Four II.b

viii. Breakdown of restructured receivables based on being provisioned or not.

Specific and general provision are allocated for restructured receivables and free provision is allocated for miscellaneous risks, if required, in accordance with IFRS 9 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”) and there is no situation in which no provision is made.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

e. Credit Risk Mitigation

1. Qualitative disclosure on credit risk mitigation techniques

Collaterals obtained as guarantees of credits are secondary repayment sources of credits. Therefore, it should be considered that market values of assets and commitments, obtained as collaterals, are measureable and whether they have a second hand market or not. Collaterals accepted by Groups are listed in Corporate Credit Policy and its annexes.

Collaterals, which should be received as a guarantee for each credits and credit collateral ratio with respect to those collaterals are determined during the allocation of credits. Related approval authority is authorized to determine a credit collateral ratio for each customer and credit. If assets traded on markets having higher level of volatility are received as collaterals, a prudential credit collateral rate is determined through considering maturity of the credit and price volatility of the asset.

Short term fluctuations in fair value of assets are not considered in evaluation of collaterals. Regular reviews of collaterals such as property and cheque whose change of value and translation to cash ability cannot be monitored simultaneously are made. Market value of properties received as collateral are reviewed in accordance with rules determined by BRSA and internal rules determined in related policies.

Insuring of collaterals against possible losses is preferred, when possible. Insurance of properties, vehicles and equipment, received as collateral, is compulsory as wells as its renewal as long as the credit risk of the insured continues.

In collateralized credit transactions, if it is established as a result of revaluations tests made on collaterals that there exist an impairment and therefore the collaterals received remained under credit collateral ratio, additional collateral should be received.

Establishment of Type of collateral guarantor in a versatility preventing concentration on collateral providers and geography, is one of the main principles.

The Group considers collaterals in its calculations for principal amount subject to credit risk in accordance with rules mentioned in Communique on Measurement and Evaluation of Bank’s Capital Adequacy and its annexes and Communique on Risk Mitigation Techniques.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

2. Credit risk mitigation techniques

		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
	31 December 2018							
1	Loans	6.473.807	7.699.335	5.282.630	-	-	-	-
2	Debt Securities	633.180	-	-	-	-	-	-
3	Total	7.106.987	7.699.335	5.282.630	-	-	-	-
4	Of which defaulted	626.342	-	-	-	-	-	-

		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
	31 December 2017							
1	Loans	7.272.179	5.919.221	4.603.242	1.247	1.247	-	-
2	Debt Securities	444.426	-	-	-	-	-	-
3	Total	7.716.605	5.919.221	4.603.242	1.247	1.247	-	-
4	Of which defaulted	193.085	-	-	-	-	-	-

f. Credit Risk if the Standard Approach is used:

1. Qualitative Disclosures which shall be made related to Rating Grades used in the calculation of Credit Risk with Standard Approach by Banks:

Credit Risk if the Standard Approach is used:

Fitch Grades are used in credit risk standard approach calculations by the Group.

Fitch Rating Grades are taken into account by risk receivables from centralized administrations or from central banks and by foreign banks or by the financial institutions receivables portfolio.

Fitch Marks assigned to a debtor is taken into account for all assets of the debtor, no exception is made for a significant category of assets.

CRA's which are not included in the twinning table of the institution, are not used.

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects:

31 December 2018		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		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	3.314.914	-	4.190.818	-	1.487.928	35,5%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	-	38	-	8	8	95,0%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	267.394	190.500	267.394	178.082	261.495	58,7%
7	Exposures to corporates	9.191.074	2.119.135	8.687.031	1.265.199	9.659.758	97,1%
8	Retail exposures	643.907	86.175	602.643	32.718	463.796	73,0%
9	Exposures secured by residential property	881.404	19.751	837.915	7.332	295.605	35,0%
10	Exposures secured by commercial real estate	5.854.569	43.028	5.703.447	29.772	4.040.051	70,5%
11	Past-due loans	609.547	-	481.977	-	563.187	116,8%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-
16	Other receivables	493.064	-	493.064	-	408.807	82,9%
17	Equity Investment	-	-	-	-	-	-
18	Total	21.255.873	2.458.627	21.264.289	1.513.111	17.180.635	75,4%

31 December 2017		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		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	2.420.365	-	3.537.131	-	437.223	12,4%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	272	63	272	13	285	99,9%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	211.711	73.348	211.713	47.573	104.641	40,4%
7	Exposures to corporates	9.315.975	2.086.794	8.526.353	1.176.526	9.282.487	95,7%
8	Retail exposures	582.901	133.173	541.500	46.558	428.363	72,8%
9	Exposures secured by residential property	690.450	36.490	644.959	13.847	230.441	35,0%
10	Exposures secured by commercial real estate	4.426.745	36.523	4.224.452	16.017	2.878.394	67,9%
11	Past-due loans	175.579	-	175.579	-	179.081	102,0%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-
16	Other receivables	417.884	228.947	413.863	57.787	419.585	89,0%
17	Equity Investment	-	-	-	-	-	-
18	Total	18.241.882	2.595.338	18.275.822	1.358.321	13.960.500	71,1%

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

3. Exposures by asset classes and risk weights

31 December 2018											Total credit risk exposure amount (after CCF and CRM)
Exposure Categories/ Risk weight	0%	10%	20%	Guaranteed by 35% Real Estate Fund	50%	75%	100%	150%	200%		
1	Exposures to central governments or central banks	2.702.890	-	-	-	-	-	1.487.928	-	-	4.190.818
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	8	-	-	8
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	1	-	148.267	-	130.733	-	166.475	-	-	445.476
7	Exposures to corporates	90.752	-	165.878	-	141.057	-	9.551.522	3.021	-	9.952.230
8	Retail exposures	11.198	-	7.718	-	326	616.119	-	-	-	635.361
9	Exposures secured by residential property	663	-	-	844.584	-	-	-	-	-	845.247
10	Exposures secured by commercial real estate	2.054	-	603	-	3.381.257	-	2.349.305	-	-	5.733.219
11	Past-due loans	86	-	-	-	13.800	-	291.699	176.392	-	481.977
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	-	-	-	-
17	Other receivables	84.257	-	-	-	-	-	408.807	-	-	493.064
18	Total	2.891.901	-	322.466	844.584	3.667.173	616.119	14.255.744	179.413	-	22.777.400

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

3. Exposures by asset classes and risk weights (Continued):

31 December 2017												
Exposure Categories/ Risk weight	0%	10%	20%	Guaranteed by 35% Real Estate Fund	50%	75%	100%	150%	200%	Total credit risk exposure amount (after CCF and CRM)		
1 Exposures to central governments or central banks	3.099.908	-	-	-	-	-	437.223	-	-	3.537.131		
2 Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-		
3 Exposures to public sector entities	-	-	-	-	-	-	285	-	-	285		
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-		
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-		
6 Exposures to institutions	1	-	157.550	-	57.209	-	44.526	-	-	259.286		
7 Exposures to corporates	104.245	-	227.422	-	274.384	-	9.090.861	5.967	-	9.702.879		
8 Retail exposures	12.910	-	5.199	-	555	569.394	-	-	-	588.058		
9 Exposures secured by residential property	403	-	4	658.399	-	-	-	-	-	658.806		
10 Exposures secured by commercial real estate	13.665	-	535	-	2.695.962	-	1.530.307	-	-	4.240.469		
11 Past-due loans	1	-	-	-	27.679	-	113.218	34.681	-	175.579		
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-		
13 Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-		
14 Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-	-	-	-	-		
15 Investments in the nature of collective investment enterprise	-	-	-	-	-	-	-	-	-	-		
16 Investments in equities	-	-	-	-	-	-	-	-	-	-		
17 Other receivables	52.065	-	-	-	-	-	419.585	-	-	471.650		
18 Total	3.283.198	-	390.710	658.399	3.055.789	569.394	11.636.005	40.648	-	19.634.143		

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

g. Disclosures regarding Counterparty Credit Risk

1. Qualitative Disclosures on Counterparty Credit Risk

i. Objectives and policies of risk management with respect to CCR,

Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope. The Group ensures timely and accurate briefing for senior management and related departments (ALCO and Capital Markets, Treasury Sales, Credit Tracking and Credit Collection Departments and Chairman of Risk Management Group, Marketing, Credits and Treasury, Deputy General Managers responsible for Capital Markets and Financial Institutions) and assignment of appropriate staff for measurement and monitoring for the purpose of an effective counterparty credit risk management. Senior Management is responsible for understanding significance and level of counterparty credit risk taken by the Group.

The Group allocates limits approved on the basis of customer and approved in different level of authorization in order to manage counterparty credit risk. Those limits are determined in a way including risk, which shall be taken, instrument and maturity information and periodically reviewed.

Activities, job definitions and responsibilities related to management, measurement, monitoring and reporting of counterparty credit risk are determined through policies and procedures. Counterparty credit risks can be simultaneously controlled on treasury system and early warning limit excess mechanisms are triggered if the use of limits are over 80%. Counterparty credit risk usage in the subsidiaries are constantly reported to the General Manager of Risk Management, Treasury Department, Vice President responsible for Capital Markets and Financial Institutions, Chief Financial Officer, and the Market Risk Department of the Parent Bank.

The Parent Bank uses mark-to-market approach in order to measure counterparty credit risk and therefore, determines coefficients (add-on) used in order to add current market value through multiplying nominal amount of transaction for the purpose of establishing the risk exposed by counterparty until the maturity. Aforementioned coefficients are calculated based on market data obtained from independent data providers and it is principal that aforementioned coefficients should be lower than coefficients determined in Part 3 of Annex -2 of Communiqué on Measurement and Evaluation of Bank's Capital Adequacy prepared by BRSA and coefficients used in legal capital calculations. Market Risk Department reviews add-on coefficients with updated market data periodically reserving its right to update add-on coefficients more frequently if the volatility increases.

Besides, senior management is periodically supported with stress tests for business lines, Treasury and Credit Allocation decision making processes.

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

1. Qualitative Disclosures on Counterparty Credit Risk (Continued):

ii. Operational limit allocation method determined in scope of calculated internal capital for CCR and central counterparty risk

The Group assigns limits mentioned in transactions causing counterparty credit risk and central counterparty credit risk in accordance with principles determined in credit policies. It is principal to select customers having a high creditability and sufficient collateral conditions. Therefore, compliance of off-balance sheet transactions subject to CCR to in-balance sheet position of the customer in addition to creditability and collateral conditions of the customer, should be especially considered while allocating limits of the customer subject to such risks. Exchange rate and maturity compliance of in/off balance sheet transactions of the Customer and the customer having a foreign currency income reducing foreign currency risk to a minimum level are other important components which are considered while allocating aforementioned limits. The Group should be careful in not allocating high level of leverage and/or long term off balance sheet transaction limits.

The Parent Bank performs its treasury limit allocation in line with its Financial Institutions Credit Allocation and Borrowing Policy for those whose counterparty is a financial institution.

Daily Exchange Limit, Total Lending Limits, Issuer limit, Limit before Exchange and Total nominal limit are allocated for financial institutions.

A limit before exchange is allocated for customers apart from financial institutions.

On the consolidated basis, there is a minimal CCP risk exposure in scope of products offered to customers of Burgan Yatırım A.Ş. Capital requirements are calculated for commercial risks and amounts of guarantee fund within an alternative method for CCP risks.

iii. Policies towards determination of Guarantee and other risk mitigations and CCR including central counterparty risk,

International Swaps and Derivatives Association (ISDA), Credit Support Annex (CSA) and/or Global Master Repurchase Agreement (GMRA), which have international validity, are concluded in counterparty credit risk management with respect to financial institutions and collateral management process is operated on a daily basis.

Collateralization principles and procedures within the framework of credit policies applied at Group for companies apart from financial institutions and individuals.

iv. Rules with respect to Counter-trend risk

The Parent Bank uses results of counterparty stress test performed periodically related to counter-trend risk and evaluates impact of deterioration in macro-economic conditions on credit risk of the customer. If it exists on a Group basis, the specific reverse tendency risk is monitored regularly with reports.

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

- v. Amount of additional collateralization, which have to be provided by the Bank if there exist a decline in credit rating grade.**

There exists no additional collateral amount, which have to be provided by the Group if there exist a decline in credit rating grade.

2. Assessment of Counterparty Credit Risk according to the models of measurement

		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
	31 December 2018						
1	Standart Approach-CCR	-	-		-	-	-
2	Internal Model Approach - (for derivative financial instruments, repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions)			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation - (for repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions)					1.348.090	489.915
4	Comprehensive Method for Credit Risk Mitigation - (for repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions)					-	-
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions - value at risk for repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions					-	-
6	Total						-

		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
	31 December 2017						
1	Standart Approach-CCR	-	-		-	-	-
2	Internal Model Approach - (for derivative financial instruments, repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions)			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation - (for repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions)					719.310	367.260
4	Comprehensive Method for Credit Risk Mitigation - (for repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions)					-	-
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions - value at risk for repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions					-	-
6	Total						-

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

3. Credit valuation adjustment (CVA) capital charge

	31 December 2018	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	1.348.090	165.300
4	Total amount of CVA capital adequacy	1.348.090	165.300

	31 December 2017	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	719.310	90.908
4	Total amount of CVA capital adequacy	719.310	90.908

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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

4. Standardised approach – CCR exposures by regulatory portfolio and risk weights

31 December 2018									
Risk Weights	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk
Risk Classes									
Central governments and central banks receivables	8.928	-	-	-	-	6.327	-	-	15.255
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	171.305	-	494.045	564.751	-	320	-	-	1.230.421
Corporate receivables	-	-	-	-	-	101.090	-	-	101.090
Retail receivables	-	-	-	-	1.324	-	-	-	1.324
Mortgage receivables	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	180.233	-	494.045	564.751	1.324	107.737	-	-	1.348.090

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

4. Standardised approach – CCR exposures by regulatory portfolio and risk weights

31 December 2017										
Risk Weights	0%	10%	20%	50%	75%	100%	150%	Other		Total credit risk
Risk Classes										
Central governments and central banks receivables	-	-	-	-	-	2.074	-	-		2.074
Local governments and municipalities receivables	-	-	-	-	-	-	-	-		-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-		-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-		-
Receivables from international organizations	-	-	-	-	-	-	-	-		-
Banks and Intermediary Institutions receivables	217.407	-	87.725	310.342	-	470	-	-		615.944
Corporate receivables	1.731	-	-	-	-	98.962	-	-		100.693
Retail receivables	-	-	-	-	599	-	-	-		599
Mortgage receivables	-	-	-	-	-	-	-	-		-
Past-due loans	-	-	-	-	-	-	-	-		-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-		-
Mortgage- backed securities	-	-	-	-	-	-	-	-		-
Securitization positions	-	-	-	-	-	-	-	-		-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-		-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-		-
Investments in equities	-	-	-	-	-	-	-	-		-
Other receivables	-	-	-	-	-	-	-	-		-
Other assets	-	-	-	-	-	-	-	-		-
Total	219.138	-	87.725	310.342	599	101.506	-	-		719.310

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(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

5. Composition of collateral for CCR exposure

31 December 2018	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - Local Currency	-	-	-	-	-	-
Cash - Foreign Currency	-	-	-	-	171.306	-
Government Bonds-Domestic	-	-	-	-	-	-
Government Bonds-Other	-	-	-	-	-	-
Public Institution Bonds	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Guarantees	-	-	-	-	-	-
Total	-	-	-	-	171.306	-

31 December 2017	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - Local Currency	-	-	-	-	20.256	-
Cash - Foreign Currency	-	-	-	-	198.882	-
Government Bonds-Domestic	-	-	-	-	-	-
Government Bonds-Other	-	-	-	-	-	-
Public Institution Bonds	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Guarantees	-	-	-	-	-	-
Total	-	-	-	-	219.138	-

6. Credit derivatives: None.

7. Risks to Central Counterparty:

On the consolidated basis, there is a minimal CCP risk exposure in scope of products offered to customers of Burgan Yatırım A.Ş. Capital requirements are calculated for commercial risks and amounts of guarantee fund within an alternative method for CCP risks.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

7. Risks to Central Counterparty (Continued):

31 December 2018		Exposure at default (post-CRM)	RWA
1	Total Exposure to Qualified Central Counterparties (QCCPs)	-	764
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC Derivatives	-	-
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Repo-Reverse Repo transactions, creditable marketable security transactions and securities and commodities lending or borrowing transactions	-	-
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) Repo-Reverse Repo transactions, creditable marketable security transactions and securities and commodities lending or borrowing 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	-	-

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

7. Risks to Central Counterparty (Continued):

31 December 2017		Exposure at default (post-CRM)	RWA
1	Total Exposure to Qualified Central Counterparties (QCCPs)	-	1.681
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC Derivatives	-	-
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Repo-Reverse Repo transactions, creditable marketable security transactions and securities and commodities lending or borrowing transactions	-	-
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) Repo-Reverse Repo transactions, creditable marketable security transactions and securities and commodities lending or borrowing 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	-	-

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE
GROUP (Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

h. Securitization disclosures: None.

j. Disclosures on Market Risk

1. Qualitative information which shall be disclosed to public related to market risk

- i.** The Group defines market risk as the potential financial loss which may occur as a result of fluctuations in capital markets. The aforementioned loss can occur due to fluctuations on share prices, interest rates, commodity prices and exchange rate.

The purpose of controlling and observance on market risk is to control and monitor impacts of markets risks on gain and economic value. In a more detail expression, the purpose of market risk control and audit is to protect Group from unexpected market losses and to establish transparent, objective and consistent market risk information which shall form a basis for decision making process.

Market Risk exposed by the Parent Bank is managed by Treasury, Capital Markets and Financial Institutions. The risk which the subsidiaries are exposed to is managed by the Treasury and Financial Institutions departments of Burgan Securities and Burgan Leasing which operate independently from the Parent Bank. The Parent Bank limits the market risk which shall be exposed for different risk factors in the framework of risk appetite. The framework of the limit and tracking method is determined with Treasury Risk Parameters document approved by Board of Directors and limits are reviews at least on an annual basis.

- ii.** Management of market risk is under responsibility of Treasury, Capital Markets and Financial Markets, which generate risk at primary level. Secondary degree controls are provided through independent risk management and internal control functions. Treasury Internal Control Department is established under Market Risk Department and Directorate of Internal Control Centre which operates independent of risk generating departments/units in the framework of authorizations and frameworks described at the Group.

Third level of controls are made through audits of treasury processes and market risk management made periodically by Directorate of Supervisory Board. The audits in question reviews compliance of market risk management to BRSA regulations related to market risk and policy and procedures of Group and Bank, monitoring of limit usages and reporting related to limit excesses and market risk.

- iii.** The Parent Bank uses Historical Simulation Method as internal method in order to digitize value at market risk. Unilateral 99% trust range, historical data belonging to working days in past two years and 10 days of holding period are taken into consideration in the calculation. The Parent Bank also calculates stress risk at value on a daily basis.

Treasury Risk Parameters are monitored by Market Risk Department during the day and at the end of day and use of limits and related other analysis are reported to ALCO, Risk Committee, Audit Committee, Risk Coordination Committee and Board of Directors.

Early warning levels for limit usage are determined and the way, which shall be applied in case of an early warning or final limit excess, is stated clearly in Treasury Risk Parameters.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE
GROUP (Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

j. Disclosures on Market Risk (Continued):

Risk parameters include different type of limits such as foreign currency position limit, nominal, maturity, foreign exchange breakdowns related to bond portfolio, value at risk limits, limits related to interest rate (DV01), option vega limits and loss limits determined for trading portfolio. Some of these limits are monitored on consolidated basis, while others are monitored by the subsidiaries via independent limits from the Parent Bank, however all usages are followed up through daily reporting in the Parent Bank.

2. Market risk under standardised approach

31 December 2018		RWA
Outright products		
1	Interest rate risk (general and specific)	90.592
2	Equity risk (general and specific)	-
3	Foreign exchange risk	121.891
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	36
8	Securitisation	-
9	Total	212.519

31 December 2017		RWA
Outright products		
1	Interest rate risk (general and specific)	77.866
2	Equity risk (general and specific)	-
3	Foreign exchange risk	49.791
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus method	327
7	Scenario approach	-
8	Securitisation	-
9	Total	127.984

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE
GROUP (Continued)**

IV. EXPLANATIONS ON CONSOLIDATED OPERATIONAL RISK:

The amount subject to operational risk is calculated once a year by using the "Basic Indicator Approach" in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette No. 28337 dated 28 June 2012. The operational risk capital requirement dated 31 December 2018 has been calculated using the income in 2015, 2016 and 2017.

Annual gross income is calculated through deducting profit/loss sourcing from sales of securities tracked in available for sale and held to maturity securities accounts and extraordinary income, activity expenses made in return for support service and amounts compensated from insurance from total of net amount of interest revenues and non-interest revenues.

31 December 2018	2 Prior Period	1 Prior Period	Current Period value	Total / Total number of years for which	Rate (%)	Total
Gross Income	456.892	498.897	588.992	514.927	15	77.239
Amount subject to operational risk (Total*12,5)	-	-	-	-	-	965.488

31 December 2017	2 Prior Period	1 Prior Period	Current Period value	Total / Total number of years for which	Rate (%)	Total
Gross Income	350.055	456.892	498.897	435.281	15	65.292
Amount subject to operational risk (Total*12,5)	-	-	-	-	-	816.153

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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE
GROUP ON A CONSOLIDATED BASIS (Continued):**

V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK:

The difference between the Group’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. Another important dimension of the currency risk is the change in the exchange rates of different foreign currencies in “Net Foreign Currency Position” (cross currency risk).

A series of limits for the tenure of spot and forward foreign exchange positions are set by the Board of Directors annually. The Group has a short-term conservative foreign currency position management policy.

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

	EUR		USD	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
31 December 2018 / 31 December 2017				
Bid rate	TL 6,0422	TL 4,5155	TL 5,2810	TL 3,7719
1. Day Bid Rate	TL 6,0422	TL 4,5155	TL 5,2810	TL 3,7719
2. Day Bid Rate	TL 6,0280	TL 4,5478	TL 5,2609	TL 3,8104
3. Day Bid Rate	TL 6,0245	TL 4,5385	TL 5,2889	TL 3,8197
4. Day Bid Rate	TL 6,0185	TL 4,5116	TL 5,2832	TL 3,8029
5. Day Bid Rate	TL 6,0419	TL 4,5205	TL 5,3034	TL 3,8087

The simple arithmetic average of the Parent Bank’s foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are shown below:

	EUR		USD	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Arithmetic average – 30 days	TL 6,0359	TL 4,5508	TL 5,3010	TL 3,8440

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GROUP ON A CONSOLIDATED BASIS (Continued):**

V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued):

Information on currency risk of the Group:

The Group’s real foreign currency position, both in financial and economic terms, is presented in the table below:

	EUR	USD	Other FC	Total
31 December 2018				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	508.246	862.358	2.534	1.373.138
Due From Banks	7.148	153.568	32.625	193.341
Financial Assets at Fair Value Through Profit or Loss (*)	49.865	56.271	52	106.188
Interbank Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	11.076	123.211	-	134.287
Loans (*)	7.537.703	4.232.359	3.173	11.773.235
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial Assets Measured at Amortized Cost	-	236.801	-	236.801
Hedging Derivative Financial Assets	223	27.197	-	27.420
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	19.508	70.953	-	90.461
Total Assets	8.133.769	5.762.718	38.384	13.934.871
Liabilities				
Bank Deposits	84.895	8.020	3.479	96.394
Foreign Currency Deposits	1.365.836	4.143.664	158.625	5.668.125
Funds From Interbank Money Market	-	171.306	-	171.306
Funds Borrowed From Other Financial Institutions	2.149.665	6.181.605	-	8.331.270
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	451.886	420.239	29.420	901.545
Hedging Derivative Financial Liabilities	1.368	9.003	-	10.371
Other Liabilities (*)	24.997	64.818	88	89.903
Total Liabilities	4.078.647	10.998.655	191.612	15.268.914
Net On-balance Sheet Position	4.055.122	(5.235.937)	(153.228)	(1.334.043)
Net Off-balance Sheet Position	(3.811.325)	5.474.656	154.138	1.817.469
Financial Derivative Assets	1.104.682	8.236.853	207.430	9.548.965
Financial Derivative Liabilities	4.916.007	2.762.197	53.292	7.731.496
Non-Cash Loans (**)	725.771	945.549	51.561	1.722.881
31 December 2017				
Total Assets (*)	6.474.772	4.951.338	18.930	11.445.040
Total Liabilities (*)	2.612.282	10.219.429	121.583	12.953.294
Net On-balance Sheet Position	3.862.490	(5.268.091)	(102.653)	(1.508.254)
Net Off-balance Sheet Position	(3.830.308)	5.289.780	100.381	1.559.853
Financial Derivative Assets	988.000	8.162.761	457.352	9.608.113
Financial Derivative Liabilities	4.818.308	2.872.981	356.971	8.048.260
Non-Cash Loans (**)	587.467	708.298	63.371	1.359.136

(*) The above table shows the Bank’s foreign currency net position based on main currencies. Foreign currency indexed assets are classified as Turkish Lira assets in the financial statements according to the Uniform Chart of Accounts. Due to this, foreign currency indexed loans amounting to TL 578.154 (31 December 2017: TL 831.039) classified as Turkish Lira assets in the 31 December 2018 financial statements are added to the table above as well as there is no foreign currency indexed loan in the current period (31 December 2017: None). Furthermore, in foreign currency assets “Income Accruals of Derivative Financial Instruments” amounting to TL 190.252 (31 December 2017: TL 21.351) and “Stages 1&2 Allowances for Expected Credit Losses” amounting to TL 347.706 (31 December 2017: None), in foreign currency liabilities “Expense Accruals of Derivative Financial Instruments” amounting to TL 14.433 (31 December 2017: TL 54.410) and “Stages 1&2 Allowances for Expected Credit Losses” amounting to TL 20.877 (31 December 2017: TL 23.997 “Free Provisions for Probable Risks” and TL 64.850 “General Provisions”) and “Marketable Securities Valuation Reserve” with “ Hedging Derivative Financials” amounting to TL 3.886 (31 December 2017: TL 6.230) are not included in the table above.

(**) Non-cash loans are not included in the total of “Net Off-Balance Sheet Position”.

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GROUP ON A CONSOLIDATED BASIS (Continued):**

V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued):

Currency risk sensitivity analysis:

If foreign currency appreciated/depreciated against TL at a ratio of 10% and all other variables remain fixed as of 31 December 2018 and 2017, changes, which shall occur in net profit and equity regardless of tax effect due to exchange rate loss/profit sourcing from foreign currency net monetary position, are as follows:

	31 December 2018				31 December 2017			
	Income Statement		Equity (*)		Income Statement		Equity (*)	
	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease
USD	6.388	(6.388)	6.954	(6.954)	2.169	(2.169)	2.792	(2.792)
EUR	(935)	935	(1.112)	1.112	3.218	(3.218)	3.218	(3.218)
Other currency units	(24)	24	(24)	24	(227)	227	(227)	227
Total, net	5.429	(5.429)	5.818	(5.818)	5.160	(5.160)	5.783	(5.783)

(*) Equity effect also includes income table effects.

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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE
GROUP ON A CONSOLIDATED BASIS (Continued):**

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK:

Interest rate risk is the risk that expresses the effects of fluctuations in the market interest rates on the value increase/decrease of the Bank’s interest rate sensitive assets and liabilities. The interest sensitivity of risks regarding the interest rate both on the on-balance sheet and off-balance sheet are monitored following several analyses and are discussed in Asset and Liability Committee weekly.

The Group closely monitors the maturity gap between liabilities and assets that may arise in the balance sheet to manage the interest rate risk better. Additionally, interest rate swaps and cross currency swaps that are followed under banking accounts and aim to hedge risks are conducted by the Treasury, Capital Markets and Financial Institutions Group. Liquidity management is critical in the combination of investments, available-for-sale assets and the trading portfolio. Through using these precautions, the possible loss effects on the shareholders’ equity due to both credit risk and interest risk during the volatile periods of the market are minimized.

**a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates
(As for the remaining time to repricing):**

31 December 2018	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	2.418.287	-	-	-	-	328.129	2.746.416
Due From Banks	139.851	-	-	-	-	56.392	196.243
Financial Assets at Fair Value Through Profit/Loss (*)	47.488	465.080	597.746	37.481	11.175	-	1.158.970
Interbank Money Market Placements	9.000	-	-	-	-	-	9.000
Financial Assets at Fair Value Through Other Comprehensive Income	-	73.323	77.373	158.479	74.433	9.456	393.064
Loans	6.280.209	2.042.864	4.454.076	2.983.181	419.324	609.547	16.789.201
Financial Assets Measured at Amortized Cost	-	-	-	236.801	-	-	236.801
Other Assets	-	-	-	-	-	499.170	499.170
Total Assets	8.894.835	2.581.267	5.129.195	3.415.942	504.932	1.502.694	22.028.865
Liabilities							
Bank Deposits	3.464	84.609	-	-	-	8.651	96.724
Other Deposits	5.872.380	2.730.023	906.979	19.183	-	290.011	9.818.576
Funds From Interbank Money Market	10.842	169.386	-	-	-	-	180.228
Miscellaneous Payables	-	-	-	-	-	955.895	955.895
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	3.773.924	2.654.042	1.973.133	58.980	-	-	8.460.079
Other Liabilities (*) (**)	29.697	147.264	95.840	85.540	857	2.158.165	2.517.363
Total Liabilities	9.690.307	5.785.324	2.975.952	163.703	857	3.412.722	22.028.865
Balance Sheet Long Position	-	-	2.153.243	3.252.239	504.075	-	5.909.557
Balance Sheet Short Position	(795.472)	(3.204.057)	-	-	-	(1.910.028)	(5.909.557)
Off-balance Sheet Long Position	797.196	1.448.656	1.163.417	-	-	-	3.409.269
Off-balance Sheet Short Position	-	-	-	(2.589.025)	(60.422)	-	(2.649.447)
Total Position	1.724	(1.755.401)	3.316.660	663.214	443.653	(1.910.028)	759.822

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 664.968 and other liabilities includes hedging derivative financial liabilities amounting to TL 70.273 classified to a related re-pricing periods.

(**) Shareholders’ Equity is presented in the Non-Interest Bearing column.

(***) Assets are shown with their net values in their related period by deducting allowances for expected credit losses.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

**a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates
(As for the remaining time to repricing):**

31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year 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	1.975.239	-	-	-	-	52.101	2.027.340
Due From Banks	145.331	-	-	-	-	23.398	168.729
Financial Assets at Fair Value Through Profit/Loss	29.336	111.647	227.327	41.246	3.683	-	413.239
Interbank Money Market Placements	11.000	-	-	-	-	-	11.000
Available-for-Sale Financial Assets	220	91.181	-	122.732	53.519	8.943	276.595
Loans	4.753.935	2.727.799	3.177.468	2.379.633	66.897	181.012	13.286.744
Held-to-Maturity Investments	-	-	-	171.218	-	-	171.218
Other Assets	99.890	81.318	352.631	1.162.344	275.695	427.955	2.399.833
Total Assets	7.014.951	3.011.945	3.757.426	3.877.173	399.794	693.409	18.754.698
Liabilities							
Bank Deposits	86.846	-	-	-	-	6.643	93.489
Other Deposits	5.563.222	2.182.603	712.796	54	-	320.307	8.778.982
Funds From Interbank Money Market	135.234	120.982	-	-	-	-	256.216
Miscellaneous Payables	-	-	-	-	-	353.907	353.907
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	2.258.217	3.139.725	1.792.189	33.213	-	-	7.223.344
Other Liabilities (*)	53.611	62.745	29.737	68.546	114	1.834.007	2.048.760
Total Liabilities	8.097.130	5.506.055	2.534.722	101.813	114	2.514.864	18.754.698
Balance Sheet Long Position	-	-	1.222.704	3.775.360	399.680	-	5.397.744
Balance Sheet Short Position	(1.082.179)	(2.494.110)	-	-	-	(1.821.455)	(5.397.744)
Off-balance Sheet Long Position	487.564	929.592	747.727	-	-	-	2.164.883
Off-balance Sheet Short Position	-	-	-	(1.991.199)	-	-	(1.991.199)
Total Position	(594.615)	(1.564.518)	1.970.431	1.784.161	399.680	(1.821.455)	173.684

(*) Shareholders' Equity is presented in Non Interest Bearing column.

Interest rate sensitivity analysis :

Change in interest rate 31 December 2018	Profit/ Loss Effect	Effect on funds under equity
(+) %1	(10.277)	(25.503)
(-) %1	10.725	18.352

Change in interest rate 31 December 2017	Profit/ Loss Effect	Effect on funds under equity
(+) %1	(18.865)	(15.305)
(-) %1	19.843	15.305

In the above study, the effects of (+) 1% and (-) 1% change in interest rates on "capital back-up" items under period profit / loss and equity are shown excluding tax effects.

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

b. Average interest rates for monetary financial instruments:

The average interest rates calculated by weighing the simple rates with their principals are given below:

31 December 2018	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	-	2,00	-	13,00
Due From Banks	-	2,18	-	-
Financial Assets at Fair Value Through Profit/Loss	3,88	6,90	-	13,09
Interbank Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3,05	4,66	-	14,93
Loans	5,86	8,10	-	23,52
Financial Assets Measured at Amortized Cost	-	4,41	-	-
Liabilities				
Bank Deposits	1,94	-	-	-
Other Deposits (*)	2,56	5,08	-	22,88
Funds From Interbank Money Market	-	3,61	-	26,09
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	2,95	5,13	-	21,64

(*) Demand deposits are included in the calculation of the weighted average interest rates.

31 December 2017	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	-	1,50	-	4,00
Due From Banks	-	1,42	-	-
Financial Assets at Fair Value Through Profit/Loss	4,31	5,13	-	10,29
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,32	-	10,19
Loans	5,15	6,44	-	16,38
Held-to-Maturity Investments	-	5,96	-	-
Liabilities				
Bank Deposits	-	1,41	-	-
Other Deposits (*)	1,73	3,97	-	14,08
Funds From Interbank Money Market	-	2,61	-	11,29
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	2,25	3,89	-	13,24

(*) Demand deposits are included in the calculation of the weighted average interest rates.

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GROUP ON A CONSOLIDATED BASIS (Continued):**

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

c. Interest rate risk resulting from banking accounts:

1. The measurement frequency of the interest rate risk with important estimations including those relating to the quality of the interest rate resulting from banking accounts, advance loan repayment and movements of deposits other than time deposits is explained by the following:

Interest rate risk resulting from the banking accounts is measured according to the month-end balance in accordance with "Regulation No. 28034 on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method", dated 23 August 2011.

Interest sensitive items are taken into consideration in accordance with the re-pricing period and depending on the estimated cash flows. Demand deposits are taken into account based on the core deposit calculations. The change calculated by implementing interest rate shocks on the differences created in accordance with the re-pricing periods of the assets and liabilities in the banking accounts is proportioned to the equities.

2. The table below presents the economic value differences of the Parent Bank resulting from fluctuations in interest rates in accordance with the "Regulation on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method" under sections divided into different currencies.

Currency	Applied Shock (+/- x basis point)	Earnings/(Losses)	Earnings/ Equities-Losses/Equities
1. TRY	+500 bp	(32.900)	(0,9) %
2. TRY	-400 bp	29.284	0,8%
3. EURO	+200 bp	(12.191)	(0,4) %
4. EURO	-200 bp	(2.534)	(0,1) %
5. USD	+200 bp	(16.036)	(0,5) %
6. USD	-200 bp	18.444	0,5%
Total (For Negative Shocks)		45.194	1,3%
Total (For Positive Shocks)		(61.127)	(1,8) %

VII. EXPLANATIONS ON CONSOLIDATED SHARE CERTIFICATE POSITION RISK:

None.

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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE
GROUP ON A CONSOLIDATED BASIS (Continued):**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO:**

Liquidity risk is the risk generated as a result of not having an effect or cash inflow at a level which can meet cash outflow, formed because of an imbalance in cash flow, timely and completely.

Effective liquidity risk management requires assigning appropriate staff for measurement and monitoring and timely informing management of the bank. Board of directors and senior management is responsible to understand the nature and level of the liquidity risk taken by the Parent Bank and the instruments measuring these risks. Additionally, Board of Directors and Senior Management are responsible for the compliance of funding strategies to risk tolerance which is determined to be applied.

Liquidity risk management framework of the Parent Bank is determined with “Burgan Bank Risk Management Policy” and “Burgan Bank Liquidity Risk Policy” documents approved by Bank’s Board of Directors and “Burgan Bank Risk Management Policy” and “Burgan Bank Treasury Policy” and “Burgan Bank Assets & Liabilities Management Committee (ALCO)” in scope of banking legislation.

Liquidity management is primarily under the responsibility of ALCO in accordance with the Liquidity Risk Management of the Bank. Treasury, Capital Markets and Financial Corporations Group are responsible to perform required actions in accordance with the liquidity standards determined in accordance with the Liquidity Risk Policy. Market Risk Departments is secondarily responsible and it is responsible to control and report compliance with the limits. Detailed information related to periodic and specific reports related to liquidity risk, stress tests, scenario tests, scenario analysis, compliance with risk limits and legal liquidity reports are included in Liquidity Risk Policy of the Bank.

Liquidity risk exposed by the Parent Bank, risk appetite, liquidity risk reduction appropriate to liquidity and funding policies (diversification of funding sources and maturities, derivative transactions), establishment of effective control environment, risk limits, early warning and triggering market indicators are managed through monitoring closely.

The liquidity risk is removed by short term placements, liquid marketable assets wallet and strong equity structure in the management of liquidity risk. Board of Directors of Bank can perform limit reduction regardless of credit value in current placement limits when the volatility in markets increases. Management of the Bank and ALCO monitors possible marginal costs of payments and spurts as a result of studies made in scope of scenario analysis while tracking interest margin in diversified maturity segments between assets and liabilities. Borrowing limits which can be used in short-term for spurts from Central Bank, BIST Repo Market, Takasbank Money Market and banks are applied at a minimum level. The Parent Bank does not need to use these sources because of its current liquidity position but it uses the aforementioned limits for short-term transaction opportunities. Assets, liabilities and positions on the basis of main types of currencies (currencies forming at least 5% of Bank’s total liabilities) are managed under the control of Treasury and Capital Markets.

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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE
GROUP ON A CONSOLIDATED BASIS (Continued):**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

Firstly, the Parent Bank and subsidiaries subject to consolidation are responsible to be in accord with the minimum liquidity restrictions that are set by legislation and consolidated and unconsolidated liquidity restrictions that is determined in the Bank’s Liquidity Risk Policy There should be no excess in liquidity limits in accordance with the Bank’s policy. Acceptation of current risk level, reduction or termination of activities causing to risk are evaluated for the risk which are not reduced. The actions, which shall be taken if there is an excess in the legal and internal limits, are detailed in Liquidity Risk Policy of the Bank. Overflow which is formed in liquidity ratios tracked according to legal limitations is eliminated in the period which is also determined by legal legislation.

Triggering market indicators are indicators which are tracked as early warning signals before the transition to stress environment which can form in the market as a result of ordinary business condition. Early warning limits related to liquidity risk in Bank are determined and aforementioned limits are monitored closely with the triggering market indicators.

Market Risk Department reports results of scenarios related to liquidity risk to Board of Directors, Risk Coordination Committee, Risk Committee and ALCO through making monthly calculations based on stress scenarios. These stress tests identify negative market conditions and potential fund outflows which occur in funding resources in a liquidity crisis. The purpose of stress tests is to inform related committees and Board of Directors regarding liquidity outflows and derogation which can occur in the liquidity ratios of the Parent Bank. Required actions are taken by ALCO if there are similar situations mentioned in stress scenarios.

An ALCO meeting is held with a call made by Treasury, Capital Markets and Deputy General Manager of Financial Corporations if there is a negative development sourcing from the group or liquidity. Precautions which shall be taken in this process are determined in scope of Liquidity Emergency Plan and details related to Liquidity Emergency Plan are included in Liquidity Risk Policy of the Parent Bank.

The Parent Bank has a central funding institution function in its relations with partners. Intra-group liquidity management and funding strategies are limited to related legal limitations.

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GROUP ON A CONSOLIDATED BASIS (Continued):**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

Liquidity Coverage Ratio:

31 December 2018	Unweighted Amounts (*)		Weighted Amounts (*)		
	TL+FC	FC	TL+FC	FC	
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets	-	-	3.347.948	1.974.193
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	7.702.237	3.759.645	740.445	375.964
3	Stable deposits	595.562	-	29.778	-
4	Less stable deposits	7.106.675	3.759.645	710.667	375.964
5	Unsecured Funding other than Retail and Small Business Customers Deposits	3.298.226	2.460.000	1.650.342	1.184.129
6	Operational deposits	1.343.105	1.163.458	335.776	290.864
7	Non-Operational Deposits	1.381.146	926.501	740.591	523.224
8	Other Unsecured Funding	573.975	370.041	573.975	370.041
9	Secured funding	-	-	-	-
10	Other Cash Outflows	1.158	664.982	1.158	664.982
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.158	664.982	1.158	664.982
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off-balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	2.500.248	1.843.111	316.141	222.528
16	TOTAL CASH OUTFLOWS	-	-	2.708.086	2.447.603
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	2.355.757	1.214.321	1.607.868	920.996
19	Other contractual cash inflows	349.428	-	349.428	-
20	TOTAL CASH INFLOWS	2.705.185	1.214.321	1.957.296	920.996
			Upper Bound Applied Amounts		
21	TOTAL HIGH QUALITY LIQUID ASSETS	-	-	3.347.948	1.974.193
22	TOTAL NET CASH OUTFLOWS	-	-	750.790	1.526.607
23	Liquidity Coverage Ratio (%)	-	-	445,92	129,32

(*) The arithmetic average of the last three months weekly consolidated Liquidity Coverage Ratio's are used.

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**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

31 December 2017	Unweighted Amounts (*)		Weighted Amounts (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High Quality Liquid Assets	-	-	2.047.365	1.377.625
CASH OUTFLOWS				
2 Retail and Small Business Customers Deposits	5.793.393	2.964.383	553.623	296.438
3 Stable deposits	514.333	-	25.717	-
4 Less stable deposits	5.279.060	2.964.383	527.906	296.438
5 Unsecured Funding other than Retail and Small Business Customers Deposits	2.631.244	1.834.271	1.451.772	896.376
6 Operational deposits	844.191	738.315	211.048	184.579
7 Non-Operational Deposits	1.158.499	846.445	612.587	462.286
8 Other Unsecured Funding	628.554	249.511	628.137	249.511
9 Secured funding	-	-	-	-
10 Other Cash Outflows	64.720	57.474	64.720	57.474
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	64.720	57.474	64.720	57.474
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off-balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15 Other irrevocable or conditionally revocable commitments	2.503.898	1.497.236	300.807	180.239
16 TOTAL CASH OUTFLOWS	-	-	2.370.922	1.430.527
CASH INFLOWS				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	1.443.023	442.170	1.030.715	299.428
19 Other contractual cash inflows	12.862	383.974	12.862	383.974
20 TOTAL CASH INFLOWS	1.455.885	826.144	1.043.577	683.402
Upper Bound Applied Amounts				
21 TOTAL HIGH QUALITY LIQUID ASSETS	-	-	2.047.365	1.377.625
22 TOTAL NET CASH OUTFLOWS	-	-	1.327.345	747.125
23 Liquidity Coverage Ratio (%)	-	-	154,25	184,39

(*) The arithmetic average of the last three months weekly consolidated Liquidity Coverage Ratio's are used.

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GROUP ON A CONSOLIDATED BASIS (Continued):**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

Liquidity coverage rate is calculated through estimating high quality liquid assets owned by the Bank to net cash out flows based on 30 days of maturity. Balance items which are determinant on the ratio are sorted as required reserves kept in Central Bank of Turkey, securities which are not subject to repo/guarantee, deposit having a corporate transaction, banks deposits, foreign sourced funds and receivables from banks. The impacts of aforementioned items on liquidity coverage ratio are higher than other items since they have a higher share in liquid assets and net cash out flows and they can change in time.

As of the period-end, high quality liquid assets of the Bank consist of accounts in Central Bank of Turkey at a ratio of 84% and securities issued by Undersecretariat of Treasury at a ratio of 13%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to bank debt at ratios of 28%, 36% and 21% respectively.

Fluctuations in foreign currency derivative transaction volumes, mainly in foreign currency swaps, can have an impact on foreign currency liquidity coverage rate although derivative transactions generate a lower level of net cash flow with respect to liquidity coverage rate.

Absolute value of net warrant flows realized as of 30 days periods for each transaction and liability are calculated provided that changes in fair values of derivative transactions and other liabilities can form a margin liability in accordance with “Regulation on Calculation of Liquidity Coverage Ratio of Banks” entered into force through publishing in Official Gazette dated 21 March 2014 and numbered 28948. The biggest absolute value, which is calculated in the last 24 months, is taken into consideration as cash outflow. Calculations for derivative transactions and other liabilities, having a flow history shorter than 24 months, are performed from the date in which the transaction is triggered. With the decision of the Banking Regulation and Supervision Agency dated 07.09.2018 and numbered 7940, it has been decided that the banks will not include the collaterals they received for credit derivatives and derivative transactions in the calculation of liquidity coverage ratio until 31 December 2018, effective from 31 July 2018.

Date	FC	FC + TL
31 December 2018	106.568	106.568

Liquidity coverage rates are calculated weekly for unconsolidated basis and monthly for consolidated basis as of 31 December 2015 in accordance with the “Regulation on Calculation of Liquidity Coverage Ratio of Banks” published in Official Gazette dated 21 March 2014 and numbered 28948. As of 31 December 2018, liquidity coverage rates must be at least 70% for foreign currency assets and liabilities and at least 90% in total assets and liabilities. Dates and values of the lowest and highest foreign currency and total consolidated liquidity coverage ratios related to the three-month period calculated by taking daily arithmetic averages are explained in the table below:

Current Period	Maximum (%)		Minimum (%)	
	FC	FC + TL	FC	FC + TL
Monthly Arithmetic Average (%)	155,61%	490,33%	109,73%	402,22%
Month	31.12.2018	31.12.2018	31.10.2018	30.11.2018

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**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

Breakdown of assets and liabilities according to their outstanding maturities:

31 December 2018	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	635.101	2.111.315	-	-	-	-	-	2.746.416
Due From Banks	56.654	139.589	-	-	-	-	-	196.243
Financial Assets at Fair Value Through Profit or Loss (*)	23	403	278.893	258.342	607.076	14.233	-	1.158.970
Interbank Money Market Placements	-	9.000	-	-	-	-	-	9.000
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	77.373	231.802	74.433	9.456	393.064
Loans	-	2.238.353	1.835.512	3.604.042	6.596.189	1.905.558	609.547	16.789.201
Financial Assets Measured at Amortized Cost	-	-	-	-	236.801	-	-	236.801
Other Assets (**)	-	82.760	1.665	28.231	30.737	5.164	350.613	499.170
Total Assets	691.778	4.581.420	2.116.070	3.967.988	7.702.605	1.999.388	969.616	22.028.865
Liabilities								
Bank Deposits	8.651	3.464	84.609	-	-	-	-	96.724
Other Deposits	290.011	5.872.380	2.730.023	906.979	19.183	-	-	9.818.576
Funds Borrowed From Other Financial Institutions	-	188.488	168.973	2.387.519	4.910.636	804.463	-	8.460.079
Funds From Interbank Money Market	-	8.922	-	-	171.306	-	-	180.228
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	838.120	-	-	-	-	117.775	955.895
Other Liabilities (*) (***)	-	155.735	88.155	138.492	192.436	857	1.941.688	2.517.363
Total Liabilities	298.662	7.067.109	3.071.760	3.432.990	5.293.561	805.320	2.059.463	22.028.865
Net Liquidity Gap	393.116	(2.485.689)	(955.690)	534.998	2.409.044	1.194.068	(1.089.847)	-
Net Off-balance sheet position	-	94.126	116.984	591.289	79.093	876	-	882.368
Financial Derivative Assets	-	3.596.179	2.493.071	1.280.046	1.461.713	1.495	-	8.832.504
Financial Derivative Liabilities	-	(3.502.053)	(2.376.087)	(688.757)	(1.382.620)	(619)	-	(7.950.136)
Non-cash Loans	-	1.465.856	168.600	565.789	119.656	66	-	2.319.967
31 December 2017								
Total Assets	75.499	3.758.845	1.752.418	3.323.926	7.614.942	1.710.834	518.234	18.754.698
Total Liabilities	326.950	6.442.731	2.312.017	3.333.304	3.378.335	1.142.749	1.818.612	18.754.698
Net Liquidity Gap	(251.451)	(2.683.886)	(559.599)	(9.378)	4.236.607	568.085	(1.300.378)	-
Net Off-balance sheet position	-	360.711	283.564	525.015	(14.967)	1.277	-	1.155.600
Financial Derivative Assets	-	4.436.985	1.803.485	929.100	1.357.464	1.848	-	8.528.882
Financial Derivative Liabilities	-	(4.076.274)	(1.519.921)	(404.085)	(1.372.431)	(571)	-	(7.373.282)
Non-cash Loans	-	1.034.096	83.673	626.108	368.523	6.249	-	2.118.649

(*) Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL 664.968 and Other Liabilities includes hedging derivative financial liabilities amounting to TL 70.273. These accounts are mainly shown under the 1-5 year maturity period.

(**) Assets forming the balance sheet such as fixed and intangible assets, subsidiaries, associates and stationary stocks are classified in this column.

(***) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

(****) Assets are shown with their net values in their related period by deducting allowances for expected credit losses.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE
GROUP (Continued)**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

Breakdown of financial liabilities according to their remaining contractual maturities:

31 December 2018	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	12.120	84.769	-	-	-	96.889
Funds borrowed from other financial institutions	6.185.838	2.786.208	995.560	28.269	-	9.995.875
Funds from money market	226.984	232.288	2.401.959	5.438.539	859.978	9.159.748
Payables to money market	8.922	-	-	173.017	-	181.939
Total	6.433.864	3.103.265	3.397.519	5.639.825	859.978	19.434.451

31 December 2017	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	93.496	-	-	-	-	93.496
Funds borrowed from other financial institutions	5.900.445	2.213.385	737.156	73	-	8.851.059
Funds from money market	395.650	136.075	2.679.943	3.488.955	1.222.862	7.923.485
Payables to money market	57.263	-	70.058	130.298	-	257.619
Total	6.446.854	2.349.460	3.487.157	3.619.326	1.222.862	17.125.659

Derivative instruments of group, counter-based maturity analysis:

31 December 2018	Up to 1 month	1-3 months	3-12 months	1-5 Years	Above 5 Years	Total
Derivative instruments held for trading						
Exchange rate derivatives:						
- Entry	3.567.319	2.288.332	904.092	-	-	6.759.743
- Out	3.471.317	2.238.815	358.097	-	-	6.068.229
Interest rate derivatives:						
- Entry	6.527	5.204	9.014	13.800	1.495	36.040
- Out	5.858	2.283	11.239	26.058	619	46.057
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	21.766	196.286	366.940	1.447.913	-	2.032.905
- Out	24.129	132.153	315.139	1.340.465	-	1.811.886
Interest rate derivatives:						
- Entry	567	3.249	-	-	-	3.816
- Out	749	2.836	4.282	16.097	-	23.964
Total cash entry	3.596.179	2.493.071	1.280.046	1.461.713	1.495	8.832.504
Total cash out	3.502.053	2.376.087	688.757	1.382.620	619	7.950.136

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GROUP (Continued)**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

31 December 2017	Up to 1 month	1-3 months	3-12 months	1-5 Years	Above 5 years	Total
Derivative instruments held for trading						
Exchange rate derivatives:						
- Entry	4.419.699	1.787.948	799.512	2.771	-	7.009.930
- Out	4.048.708	1.506.560	252.405	2.567	-	5.810.240
Interest rate derivatives:						
- Entry	1.856	3.754	9.221	14.596	1.848	31.275
- Out	1.096	1.592	4.184	6.186	571	13.629
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	15.165	10.455	120.172	1.340.030	-	1.485.822
- Out	25.845	9.749	144.438	1.347.423	-	1.527.455
Interest rate derivatives:						
- Entry	265	1.328	195	67	-	1.855
- Out	625	2.020	3.058	16.255	-	21.958
Total cash entry	4.436.985	1.803.485	929.100	1.357.464	1.848	8.528.882
Total cash out	4.076.274	1.519.921	404.085	1.372.431	571	7.373.282

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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF
THE GROUP ON A CONSOLIDATED BASIS (Continued):**

IX. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO:

Information on subjects that causes difference in leverage ratio between current and prior periods:

As of 31 December 2018, the leverage ratio of the Group calculated from the arithmetic average of the three months is 6,86% (31 December 2017: 5,38%). This ratio is above the minimum required. The most important reason for the difference in leverage ratio between current and prior period is the increase in the balance sheet and off-balance sheet assets.

Disclosure of leverage ratio template:

	31 December 2018 (*)	31 December 2017 (*)
Balance sheet assets		
Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	23.065.518	18.786.108
(Assets deducted from Core capital)	62.271	61.414
Total risk amount of balance sheet assets	23.003.247	18.724.694
Derivative financial assets and credit derivatives		
Cost of replenishment for derivative financial assets and credit derivatives	1.021.621	352.414
Potential credit risk amount of derivative financial assets and credit derivatives	147.532	112.968
Total risk amount of derivative financial assets and credit derivatives	1.169.153	465.382
Financing transactions secured by marketable security or commodity		
Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	-	-
Risk amount arising from intermediary transactions	-	-
Total risk amount of financing transactions secured by marketable security or commodity	-	-
Off-balance sheet transactions		
Gross notional amount of off-balance sheet transactions	3.554.290	3.120.668
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.554.290	3.120.668
Capital and total risk		
Core Capital	1.894.917	1.200.996
Total risk amount	27.726.690	22.310.744
Leverage ratio		
Leverage ratio	6,86%	5,38%

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

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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF
THE GROUP ON A CONSOLIDATED BASIS (Continued):**

X. EXPLANATIONS ON HEDGE TRANSACTIONS:

As of 31 December 2018, The Group applies cash flow hedge accounting using interest swaps to hedge its FC deposits and other liabilities with an average maturity up to 3 months against interest rate fluctuations. The Group implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity “Hedging Funds”, whereas the amount concerning ineffective parts is associated with income statement.

As of the balance sheet date, derivative financial receivables with a carrying amount of TL 664.968 (31 December 2017: TL 269.300) and derivative financial payables with a carrying amount of TL 70.273 (31 December 2017: TL 53.975), are subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, fair value income at the amount of TL 40.960 (31 December 2017: TL 18.341 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 December 2017: None).

Hedging Instrument	Hedging Subject	Exposed Risk	Hedging Instruments Fair Value		Hedging Funds	Ineffective Part Accounted in Income Statement (Net)
			Assets	Liabilities		
Cross Currency Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	657.137	66.918	78.520	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	7.831	3.355	2.696	-

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in IFRS 9, the accounting application is ended. In case of deterioration of efficiency, the effective amounts, which are recognized under the equity due to the risk hedge accounting, are eliminated from equities in the periods or periods, when cash flow effects profit and losses (periods, when interest income or expenses are recognized) as re-classification adjustment and then it is re-classified in the profit and loss. There is no amount, which is transferred to income statement due to the swaps, of which effectiveness is damaged or closed in the current period (31 December 2017: None).

The measurements conducted as of 31 December 2018 show that the cash flow hedging transactions shown above are effective.

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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF
THE GROUP ON A CONSOLIDATED BASIS (Continued):**

**XI. EXPLANATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND
LIABILITIES AT THEIR FAIR VALUES:**

a. Financial Assets and Liabilities at their fair values:

The fair values of held-to-maturity assets are 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 the demand placements and deposits represents the amount to be paid upon request. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the Bank’s current interest rates as of balance sheet date.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the Bank’s current interest rates for fixed interest loans. For the loans with floating interest rates, it is assumed that the book value reflects the fair value.

The expected fair value of bank placements, money market placements and bank deposits are determined by calculating the discounted cash flows using the current market interest rates of similar assets and liabilities. The book value represents the sum of acquisition cost and accumulated interest accruals of the related assets and liabilities.

The following table summarises the book values and fair values of some financial assets and liabilities of the Group.

	Book Value		Fair Value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial Assets	18.066.572	13.914.286	18.330.873	16.285.244
Due from Money Market	9.000	11.000	9.000	11.000
Due from Banks (*)	638.421	168.729	638.458	168.729
Available-for-Sale Financial Assets	393.149	276.595	397.693	276.595
Held-to-maturity Investments	236.801	171.218	229.285	171.897
Loans	16.789.201	13.286.744	17.056.437	15.657.023
Financial Liabilities	19.331.274	16.449.722	19.571.155	16.686.051
Bank Deposits	96.724	93.489	96.712	93.480
Other Deposits	9.818.576	8.778.982	9.857.850	8.792.759
Borrowings	8.460.079	7.223.344	8.660.698	7.445.905
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	955.895	353.907	955.895	353.907

(*) Includes TCMB time deposits.

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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF
THE GROUP ON A CONSOLIDATED BASIS (Continued):**

**XI. EXPLANATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND
LIABILITIES AT THEIR FAIR VALUES:**

b. Fair value hierarchy:

IFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows.

- a) Quoted market prices (non-adjusted for identical assets or liabilities) (1st level)
- b) Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level)
- c) Data not based on observable data regarding assets or liabilities (3rd level)

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles is given in the table below:

31 December 2018	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	12.771	481.231	-	494.002
Government Debt Securities	12.055	-	-	12.055
Due from Money Market	-	-	-	-
Derivative financial assets at fair value through profit or loss	-	481.231	-	481.231
Other financial assets	716	-	-	716
Financial Assets at Fair Value Through other comprehensive income	383.193	9.956	-	393.149
Share Certificates	-	9.456	-	9.456
Government Debt Securities	383.193	-	-	383.193
Other financial assets	-	500	-	500
Derivative financial assets at fair value through other comprehensive income	-	664.968	-	664.968
Total Assets	395.964	1.156.155	-	1.552.119
Derivative financial liabilities at fair value through profit or loss	-	288.925	-	288.925
Derivative financial liabilities at fair value through other comprehensive income	-	70.273	-	70.273
Total Liabilities	-	359.198	-	359.198

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**XI. EXPLANATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND
LIABILITIES AT THEIR FAIR VALUES (Continued):**

31 December 2017	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	5.543	138.396	-	143.939
Government Debt Securities	5.310	-	-	5.310
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	138.396	-	138.396
Other Marketable Securities	233	-	-	233
Available for Sale Financial Assets (*)	266.946	9.649	-	276.595
Share Certificates	-	8.929	-	8.929
Government Debt Securities	266.946	-	-	266.946
Other Marketable Securities	-	720	-	720
Hedging Derivative Financial Assets	-	269.300	-	269.300
Total Assets	272.489	417.345	-	689.834
Trading Derivative Financial Liabilities	-	160.778	-	160.778
Hedging Derivative Financial Liabilities	-	53.975	-	53.975
Total Liabilities	-	214.753	-	214.753

(*) As noted in the footnote VII-d, written down values of available for sale securities are reported if such securities are not traded in the markets and if the fair market value of such securities cannot be determined for any reason. There are no transfers between 1st and 2nd levels in the current period.

**XII. EXPLANATION ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF
OTHER PARTIES:**

Bank carries out marketable security trading and custody services on behalf of customers and on their account. The details of items held in custody is given in off-balance sheet commitments.

XIII. EXPLANATIONS ON OPERATING SEGMENTS:

The Parent Bank manages its banking operations through three main business units; Retail banking, corporate, commercial and SME banking and treasury.

Retail banking provides products and services to individual and private customers. Products and services include primarily deposit, loan, credit card, automatic payment services, internet banking and other various banking services.

Corporate and commercial banking provides loan, deposit, cash management products, foreign trade financing, non-cash loans, foreign currency transaction services and other corporate banking services to small, medium and large sized corporate clients.

Treasury transactions include fixed income security investments, fund management, foreign currency transactions, money market transactions, derivative transactions and other related services.

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THE GROUP ON A CONSOLIDATED BASIS (Continued):**

XIII. EXPLANATIONS ON OPERATING SEGMENTS:

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

The prior period information is presented as of 31 December 2017 for balance sheet items and for income statement items.

31 December 2018	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified (*)	Total Operations of the Bank
Net Interest Income	141.202	523.394	(27.016)	92.252	729.832
Net Fees and Commissions	5.048	23.109	-	4.007	32.164
Trading Profit/Loss	7.089	14.072	45.217	5.445	71.823
Other Operating Income	2.956	12.465	-	21.806	37.227
Operating Income	156.295	573.040	18.201	123.510	871.046
Operating Costs (-)	94.757	356.348	33.214	178.363	662.682
Net Operating Income	61.538	216.692	(15.013)	(54.853)	208.364
Dividend Income	-	-	-	700	700
Income/Loss from subsidiaries based on equity method	-	-	-	-	-
Profit Before Tax	61.538	216.692	(15.013)	(54.153)	209.064
Tax Provisions (-)	13.539	47.672	(3.303)	(10.603)	47.305
Net Profit/(Loss)	47.999	169.020	(11.710)	(43.550)	161.759
Segment Assets	1.730.837	13.814.554	3.245.940	2.851.415	21.642.746
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-
Unallocated Assets	-	-	-	386.119	386.119
Total Assets	1.730.837	13.814.554	3.245.940	3.237.534	22.028.865
Segments Liabilities	7.300.928	2.443.397	6.583.714	3.824.846	20.152.885
Unallocated Liabilities	-	-	-	1.875.980	1.875.980
Total Liabilities	7.300.928	2.443.397	6.583.714	5.700.826	22.028.865

(*) Other operations include operations of Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş. and its affiliated partner Burgan Wealth Limited Dubai which are consolidated as affiliated partners of the Parent Bank.

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THE GROUP ON A CONSOLIDATED BASIS (Continued):**

XIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued):

		Corporate and Commercial		Other and	Total
31 December 2017	Retail Banking	Banking	Treasury	Unclassified (*)	Operations of the Bank
Net Interest Income	66.484	345.894	30.387	69.107	511.872
Net Fees and Commissions	5.834	25.182	-	9.707	40.723
Trading Profit/Loss	7.850	18.635	(9.037)	167	17.615
Other Operating Income	2.748	10.823	-	15.062	28.633
Operating Income	82.916	400.534	21.350	94.043	598.843
Operating Costs (-)	68.023	216.889	25.850	140.195	450.957
Net Operating Income	14.893	183.645	(4.500)	(46.152)	147.886
Dividend Income	-	-	-	330	330
Income/(Loss) from subsidiaries based on equity method	-	-	-	-	-
Profit Before Tax	14.893	183.645	(4.500)	(45.822)	148.216
Tax Provisions (-)	2.978	36.729	(900)	(439)	38.368
Net Profit / Loss	11.915	146.916	(3.600)	(45.383)	109.848
31 December 2017	1.320.669	13.068.773	1.885.589	2.226.054	18.501.085
Segment Assets	-	-	-	-	-
Investments in associates, subsidiaries and joint ventures	-	-	-	253.613	253.613
Unallocated Assets	-	-	-	-	-
Total Assets	1.320.669	13.068.773	1.885.589	2.479.667	18.754.698
Segments Liabilities	5.749.776	3.020.524	5.875.421	2.596.502	17.242.223
Unallocated Liabilities	-	-	-	1.512.475	1.512.475
Total Liabilities	5.749.776	3.020.524	5.875.421	4.108.977	18.754.698

(*) Other operations include operations of Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş. and partners Burgan Portföy Yönetimi A.Ş. and Burgan Wealth Limited Dubai which are consolidated as an affiliated partners of the Parent Bank.

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS:

a. Information related to cash and the account of The Central Bank of the Republic of Turkey (the “CBRT”):

1. Information on cash and the account of the CBRT:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Cash/Foreign currency	14.108	70.171	12.427	39.651
CBRT	1.359.170	1.302.967	1.022.011	953.251
Other	-	-	-	-
Total	1.373.278	1.373.138	1.034.438	992.902

2. Information on the account of the CBRT:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Demand Unrestricted Amount	1.159.045	549.040	955.529	6.766
Time Unrestricted Amount	200.125	241.688	66.482	-
Time Restricted Amount	-	512.239	-	946.485
Total	1.359.170	1.302.967	1.022.011	953.251

3. Information on reserve requirements:

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2013/15, the Parent Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD and standard gold. CBRT started paying interest on reserve balances held in FC starting from May 2015 and held in TL starting from November 2014.

As of 31 December 2018, The valid TL required reserve rates vary between 1,5% and 8% according to their maturities (31 December 2017: Between 4% and 10,5%). The valid foreign currency required reserve rates vary between 4% and 20% according to their maturities (31 December 2017: Between 4% and 24%).

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

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

- As of 31 December 2018, there is no amount subject to repo transactions from financial assets at fair value through profit or loss (31 December 2017: None).
- Positive differences related to derivative financial assets at fair value through profit or loss:

	31 December 2018	
	TL	FC
Forward Transactions	19.713	4.002
Swap Transactions	177.441	225.372
Futures Transactions	-	-
Options	611	54.092
Other	-	-
Total	197.765	283.466

	31 December 2017	
	TL	FC
Forward Transactions	23.695	9.926
Swap Transactions	43.395	33.376
Futures Transactions	-	-
Options	1.722	26.282
Other	-	-
Total	68.812	69.584

c. Information on banks:

- Information on banks:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Banks				
Domestic	3.267	4.553	167	13.140
Foreign	-	188.788	9	155.413
Headquarters and Branches Abroad	-	-	-	-
Total	3.267	193.341	176	168.553

- Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
EU Countries	37.439	11.626	-	-
USA, Canada	13.199	7.932	-	-
OECD Countries (*)	444	3.608	-	-
Off-shore Banking Regions	-	-	-	-
Others	137.706	132.256	-	-
Total	188.788	155.422	-	-

(*) OECD countries except EU countries, USA and Canada

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

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

1. Characteristics and carrying values of available-for-sale financial assets given as collateral and subject to repo transactions:

As of 31 December 2018, there are TL 31.699 available-for-sale financial assets given as collateral/blocked (31 December 2017: TL 54.280) and there are none subject to repurchase agreements (31 December 2017: TL 115.358).

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

	31 December 2018
Debt Securities	404.851
Quoted on Stock Exchange	404.851
Not Quoted	-
Share Certificates	9.456
Quoted on Stock Exchange	-
Not Quoted	9.456
Impairment Provision (-)	21.158
Total	393.149

Information on available-for-sale financial assets:

	31 December 2017
Debt Securities	269.957
Quoted on Stock Exchange	269.957
Not Quoted	-
Share Certificates	8.929
Quoted on Stock Exchange	-
Not Quoted	8.929
Impairment Provision (-)	2.291
Total	276.595

e. Explanations on loans:

1. Information on all types of loan or advance balances given to shareholders and employees of the Group:

	31 December 2018		31 December 2017	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted To Shareholders	-	149.865	-	-
Corporate Shareholders	-	149.865	-	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted To Shareholders	-	-	-	-
Loans Granted To Employees	3.680	-	4.660	-
Total	3.680	149.865	4.660	-

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

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

i.

Cash Loans	Standard Loans (**)	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables with Revised Contract Terms	Re-finance
Non-Specialized Loans	12.144.142	1.180.588	674.931	-
Loans given to enterprises	-	-	-	-
Export Loans	723.256	5.707	65	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	431.155	-	-	-
Consumer Loans	615.626	30.819	10.350	-
Credit Cards	-	-	-	-
Other (*)	10.374.105	1.144.062	664.516	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	12.144.142	1.180.588	674.931	-

(*) The Group also has factoring receivables amounting to TL 7 under the Other account.

(**) Standard loans also include Burgan Yatırım’s loans given out to clients.

ii.

Number of Modifications Made to Extend Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 times	-	647.155
3,4 or 5 times	-	27.776
Over 5 times	-	-
Total	-	674.931

iii.

Extended Period of Time	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	267.038
6 Months – 12 Months	-	10.567
1-2 Years	-	48.676
2-5 Years	-	329.809
5 Years and Over	-	18.841
Total	-	674.931

iv.

	Standard Loans	Loans Under Close Monitoring
General Provisions	131.872	330.783
12 Month Expected Credit Losses	131.872	-
Significant Increase in Credit Risk	-	330.783

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(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

3. Distribution of Cash Loans according to their maturities:

	Standard Loans	Loans Under Close Monitoring	
		Loans without Revised Contract Terms	Restructured Loans
Short-term Loans and Other Receivables	2.747.291	170.340	12.102
Medium and Long-term Loans and Other Receivables	9.396.851	1.010.248	662.829
TOTAL	12.144.142	1.180.588	674.931

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

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

	Short- term	Medium and Long-term	Total
Consumer Loans-TL	33.337	606.089	639.426
Real estate loans	-	90.926	90.926
Automotive loans	191	24.509	24.700
Consumer loans	33.146	490.654	523.800
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-FC	98	5.753	5.851
Real estate loans	-	5.256	5.256
Automotive loans	-	-	-
Consumer loans	98	497	595
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With installments	-	-	-
Without installments	-	-	-
Individual Credit Cards-FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Personnel Loans-TL	297	3.383	3.680
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	297	3.383	3.680
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With installments	-	-	-
Without installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Credit Deposit Account-TL (Real Person)	7.838	-	7.838
Credit Deposit Account-FC (Real Person)	-	-	-
Total	41.570	615.225	656.795

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

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

	Short-term	Medium and long-term	Total
Commercial Installments Loans-TL	13.806	1.218.939	1.232.745
Real estate loans	-	-	-
Automotive loans	69	3.523	3.592
Consumer loans	13.737	1.215.416	1.229.153
Other	-	-	-
Commercial Installments Loans-FC Indexed	7.810	442.841	450.651
Real estate loans	-	-	-
Automotive loans	-	1.747	1.747
Consumer loans	7.810	441.094	448.904
Other	-	-	-
Commercial Installments Loans-FC	79.078	5.008.650	5.087.728
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	79.078	5.008.650	5.087.728
Other	-	-	-
Corporate Credit Cards-TL	-	-	-
With installment	-	-	-
Without installment	-	-	-
Corporate Credit Cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Credit Deposit Account-TL (Legal Person)	21	-	21
Credit Deposit Account-FC (Legal Person)	-	-	-
Total	100.715	6.670.430	6.771.145

6. Loans according to types of borrowers:

	31 December 2018	31 December 2017
Public	-	-
Private	13.999.661	13.111.165
Total	13.999.661	13.111.165

7. Distribution of domestic and foreign loans:

	31 December 2018	31 December 2017
Domestic Loans	13.999.661	13.111.165
Foreign Loans	-	-
Total	13.999.661	13.111.165

8. Loans given to investments in associates and subsidiaries:

None (31 December 2017: None).

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(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

9. Specific provisions provided against loans:

	31 December 2018
Loans with Limited Collectability	33.993
Loans with Doubtful Collectability	74.784
Uncollectible Loans	152.674
Total	261.451

	31 December 2017
Loans and Other Receivables with Limited Collectability	4.648
Loans and Other Receivables with Doubtful Collectability	14.810
Uncollectible Loans and Other Receivables	199.815
Total	219.273

10. Information on non-performing loans (Net):

i. Information on loans and other receivables that are restructured or rescheduled by the Parent Bank:

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
31 December 2018			
Gross Amounts before the Provisions	-	-	-
Restructured Loans	-	-	9.868

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
31 December 2017			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	-	6.069

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

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

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
Prior Period End Balance	66.811	56.476	271.565
Additions (+)	768.613	109.209	127.615
Transfers from Other Categories of Non-performing Loans (+)	-	463.769	137.047
Transfers to Other Categories of Non-performing Loans (-)	464.246	136.570	-
Collections (-)	30.480	107.131	141.744
Write-offs (-)	-	-	-
Sold Portfolio (-) (*)	150.856	11.873	87.207
Corporate and Commercial Loans	150.856	11.873	81.353
Consumer Loans	-	-	5.497
Credit Cards	-	-	357
Other	-	-	-
Balance at the End of the Period	189.842	373.880	307.276
Specific Provision (-)	33.993	74.784	152.674
Net Balance on Balance Sheet	155.849	299.096	154.602

(*) The Bank sold non-performing loans amounting to TL 99.080 to Efes Varlık Yönetimi A.Ş for TL 305 on 28 June 2018 and sold non-performing loans amounting to TL 150.856 to Mega Varlık Yönetimi A.Ş for TL 275 on 28 December 2018 and, did write-off from the the Bank’s asset.

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

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
31 December 2018			
Period-End Balance	96.109	141.519	106.952
Specific Provision (-)	11.523	51.156	73.885
Net Balance on balance sheet	84.586	90.363	33.067

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
31 December 2017			
Period-End Balance	3.404	14.867	91.901
Specific Provision (-)	443	3.946	75.078
Net Balance on balance sheet	2.961	10.921	16.823

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

- iv. Information regarding gross and net amounts of non-performing loans with respect to user groups

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
31 December 2018			
Current Period (Net)	155.849	299.096	154.602
Loans Given to Real Persons and Legal Persons (Gross)	108.534	326.980	250.933
Specific Provision Amount (-)	27.807	57.490	109.449
Loans Given to Real Persons and Legal Persons (Net)	80.727	269.490	141.484
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	81.308	46.900	56.343
Specific Provision Amount (-)	6.186	17.294	43.225
Other Loans and Receivables (Net)	75.122	29.606	13.118

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 December 2017			
Prior Period (Net)	62.163	41.666	71.750
Loans Given to Real Persons and Legal Persons (Gross)	66.345	50.910	228.406
Specific Provision Amount (-)	4.554	12.027	165.724
Loans Given to Real Persons and Legal Persons (Net)	61.791	38.883	62.682
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	466	5.566	43.159
Specific Provision Amount (-)	94	2.783	34.091
Other Loans and Receivables (Net)	372	2.783	9.068

11. Policy followed-up for the collection of uncollectible loans and other receivables::

The Bank aims to collect uncollectible loans and other receivables through the liquidation of collaterals by legal procedures.

12. Explanations on the write-off policy:

The write off transactions are performed in accordance with the regulation.

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(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

f. Information on the calculation of interest accruals, valuation differences and their provisions for non-performing loans by banks which allocate expected credit losses according to IFRS 9:

	III. Group:	IV. Group:	V. Group:
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (Net)	19.841	23.591	1.259
Interest Accruals and Valuation Differences	23.285	37.506	1.266
Provision Amount (-)	3.444	13.915	7
Prior Period (Net)	-	-	-
Interest Accruals and Valuation Differences	-	-	-
Provision Amount (-)	-	-	-

g. Information on financial assets measured at amortized cost:

1. Information on held-to-maturity financial assets subject to repurchase agreements:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Similar Securities	-	222.667	-	171.218
Other	-	-	-	-
Total	-	222.667	-	171.218

2. Information on held-to-maturity financial assets given as collateral/blocked:

None. (31 December 2017: None)

3. Information on government debt securities held-to-maturity:

	31 December 2018	31 December 2017
Government Bond	236.801	171.218
Treasury Bond	-	-
Other Public Debt Securities	-	-
Total	236.801	171.218

4. Information on investment securities held-to-maturity:

	31 December 2018	31 December 2017
Debt securities	236.801	171.218
Publicly-traded	236.801	171.218
Not publicly-traded	-	-
Provision for impairment	-	-
Total	236.801	171.218

5. Movement of held-to-maturity investments within the period:

	31 December 2018	31 December 2017
Opening balance	171.218	161.607
Foreign exchange differences in monetary assets	65.583	9.611
Purchases during the year	-	-
Disposals through Sales and Redemptions	-	-
Value decrease equivalent (-)	-	-
Period end balance	236.801	171.218

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(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

h. Information on investments in associates (Net):

None. (31 December 2017: None).

i. Information on subsidiaries (Net):

1. Capital adequacy situation of major subsidiaries:

The Parent Bank does not need any capitals arising from subsidiaries who inserted capital adequacy standard ratio.

2. Information on unconsolidated subsidiaries:

None. (31 December 2017: None).

3. Main financial figures of the unconsolidated subsidiaries in order of the below table:

None. (31 December 2017: None).

4. Information on consolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage, if different voting percentage (%)	Other shareholders' share percentage (%)
1	Burgan Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	0,01
	Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary:	Istanbul/Turkey	100,00	-
2	- Burgan Wealth Limited Dubai (*)	Dubai/ UAE	100,00	-

(*)The Board of Directors of Burgan Wealth Limited, the consolidated subsidiary of Burgan Yatırım, has applied to the Dubai Financial Services Institution (DFSİ) in order start its liquidation process and to cancel its license, and the liquidation process of the company is still ongoing.

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

	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	2.926.387	256.084	3.106	233.934	-	35.860	34.559	-
2 (*)	140.367	125.091	2.281	18.265	148	(2.192)	(17.391)	-

(*) The consolidated values of Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary Burgan Wealth Limited Dubai.

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(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

6. Movement schedules of subsidiaries:

	31 December 2018	31 December 2017
Balance at the beginning of the Period	256.972	237.171
Movements during the Period	124.119	19.801
Purchases	116.000	-
Bonus Shares Obtained	70.000	-
Dividends from Current Year Income	33.668	-
Sales	-	-
Revaluation Increase/Decrease (*)	(95.549)	19.801
Impairment Provision	-	-
Balance at the end of the Period	381.091	256.972
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	99,99%	99,99%

(*) Includes the data before consolidation procedures.

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

Subsidiaries	31 December 2018	31 December 2017
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	265.572	206.686
Finance Companies	-	-
Other Financial Subsidiaries	115.519	50.286
Total	381.091	256.972

(*) Includes data given prior to consolidation applications.

8. Subsidiaries quoted on stock exchange:

None (31 December 2017: None).

j. Information on joint ventures:

None. (31 December 2017: None).

k. Information on lease receivables (net):

Presentation of financial lease receivables based on their days to maturity:

	31 December 2018		31 December 2017	
	Gross	Net	Gross	Net
Less than 1 year	931.200	749.438	676.982	533.839
Between 1-4 years	1.866.713	1.506.211	1.418.184	1.162.344
More than 4 years	401.328	358.862	313.922	275.695
Total	3.199.241	2.614.511	2.409.088	1.971.878

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(Continued):

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

l. Information on fair value hedging derivative financial assets:

	31 December 2018	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	636.228	28.740
Foreign Net Investment Hedge	-	-
Total	636.228	28.740

	31 December 2017	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	257.159	12.141
Foreign Net Investment Hedge	-	-
Total	257.159	12.141

m. Information on tangible assets:

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2016				
Cost	25.797	9.298	85.392	120.487
Accumulated depreciation (-)	2.997	622	42.712	46.331
Net book value	22.800	8.676	42.680	74.156
31 December 2017				
Net book value at beginning of the period	22.800	8.676	42.680	74.156
Additions	-	14.143	7.185	21.328
Disposals (-), net	-	10.064	779	10.843
Impairment (-)	-	-	-	-
Depreciation (-)	450	1.388	10.853	12.691
Revaluation Increase	150	-	-	150
Cost at Period End	25.947	12.853	86.325	125.125
Accumulated Depreciation at Period End (-)	3.447	1.486	48.092	53.025
Closing Net Book Value at Period End	22.500	11.367	38.233	72.100

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2017				
Cost	25.947	12.853	86.325	125.125
Accumulated depreciation (-)	3.447	1.486	48.092	53.025
Net book value	22.500	11.367	38.233	72.100
31 December 2018				
Net book value at beginning of the period	22.500	11.367	38.233	72.100
Additions	-	-	11.425	11.425
Disposals (-), net	-	8.817	1.578	10.395
Impairment (-)	-	-	-	-
Depreciation (-)	475	314	10.329	11.118
Revaluation Increase	1.725	-	-	1.725
Cost at Period End	27.672	2.824	89.794	120.290
Accumulated Depreciation at Period End (-)	3.922	588	52.043	56.553
Closing Net Book Value at Period End	23.750	2.236	37.751	63.737

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

n. Information on intangible assets:

1. Book value and accumulated depreciation at the beginning and at the end of the period:

	31 December 2018	31 December 2017
Gross Book Value	104.863	95.408
Accumulated Depreciation (-)	59.860	48.100
Net Book Value	45.003	47.308

2. Information on movements between the beginning and end of the period:

	31 December 2018	31 December 2017
Beginning of the Period	47.308	49.524
Internally Generated Amounts	-	-
Additions due to Mergers, Transfers and Acquisitions	10.774	8.452
Disposals	960	-
Amount Accounted under Revaluation Reserve	-	-
Impairment	-	-
Impairment Reversal	-	-
Amortisation (-)	12.119	10.668
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
End of the Period	45.003	47.308

o. Information on investment properties:

None (31 December 2017: None).

p. Information on deferred tax asset:

As of 31 December 2018, the Group has netted-off the calculated deferred tax asset of TL 193.273 (31 December 2017: TL 34.676) and deferred tax liability of TL 176.516 (31 December 2017: TL 54.058) on the basis of company in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 22.960 and has recorded a net deferred tax liability of TL 6.203 (31 December 2017: TL 14.099 net deferred tax asset and TL 33.481 net deferred tax liability) in the financial statements.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

	Accumulated Temporary Differences		Deferred Tax Assets/Liabilities	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Carried Financial Loss (*)	247.448	8.732	54.264	1.746
Provision for Legal Cases	9.535	8.864	2.053	1.912
General Provisions and Other Provisions	563.440	77.523	123.957	17.055
Reserve for Employee Rights	17.869	21.749	3.904	4.775
Valuation Differences of Derivative Instruments	-	5.049	-	1.110
Unearned Revenue	30.847	24.015	6.786	5.283
Other	10.583	12.735	2.309	2.795
Deferred Tax Assets	879.722	158.667	193.273	34.676
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	28.549	29.627	3.843	4.257
Valuation Differences of Derivative Instruments	781.690	216.678	171.971	47.670
Other	3.397	9.688	702	2.131
Deferred Tax Liabilities	813.636	255.993	176.516	54.058
Deferred Tax Assets/(Liabilities) (Net)	66.086	(97.326)	16.757	(19.382)

(*) The Group will be able to use TL 6.200 to be paid in the corporate tax calculation until 2020, TL 2.532 to be paid until 2021, TL 238.716 to be paid until 2023 from the total carried financial loss of TL 247.053.

The deferred tax asset/liability summary is as follows:

	31 December 2018	31 December 2017
Balance as of 1 January	(19.382)	(5.506)
Current year deferred tax income/(expense), net	(36.916)	(8.896)
Deferred tax charged to equity, net (*)	73.055	(4.980)
Balance at the End of the Period	16.757	(19.382)

(*) The deferred tax asset accounted under equity includes the IFRS 9 transition effect.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

q. Information on assets held for resale and discontinued operations:

The Group has assets held for resale amounting to TL 113.385 (31 December 2017: TL 45.095) and has no discontinued operations.

	31 December 2018	31 December 2017
Prior Period		
Cost	45.662	46.342
Accumulated Depreciation (-)	567	831
Net Book Value	45.095	45.511
Current Period		
Net book value at beginning of the period	45.095	45.511
Additions	77.305	13.340
Disposals (-), net	8.146	13.313
Impairment (-)	869	397
Depreciation (-)	-	46
Cost	113.895	45.662
Accumulated Depreciation (-)	510	567
Closing Net Book Value	113.385	45.095

r. Information on other assets:

Other assets amount to TL 238.328 (31 December 2017: TL 242.423) and does not exceed 10% of the total assets excluding off-balance sheet commitments.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES:

a. Information on deposits:

1. Information on maturity structure of deposits:

i. 31 December 2018:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months - 1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.698	-	364.605	2.199.389	565.681	124.414	305.627	-	3.591.414
Foreign Currency Deposits	170.911	-	452.064	4.007.115	748.184	86.839	203.012	-	5.668.125
Residents in Turkey	152.526	-	448.736	3.975.699	743.045	84.735	198.942	-	5.603.683
Residents Abroad	18.385	-	3.328	31.416	5.139	2.104	4.070	-	64.442
Public Sector Deposits	6.647	-	-	-	-	-	-	-	6.647
Commercial Deposits	79.298	-	134.063	125.571	14.444	33.257	26.208	-	412.841
Other Institutions Deposits	1.457	-	1.563	130.559	166	5.804	-	-	139.549
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	8.651	-	88.073	-	-	-	-	-	96.724
The CBRT	-	-	88.073	-	-	-	-	-	88.073
Domestic Banks	162	-	-	-	-	-	-	-	162
Foreign Banks	8.489	-	-	-	-	-	-	-	8.489
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	298.662	-	1.040.368	6.462.634	1.328.475	250.314	534.847	-	9.915.300

ii. 31 December 2017:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months - 1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.527	-	225.597	2.333.196	100.087	78.556	76.825	-	2.845.788
Foreign Currency Deposits	178.981	-	364.155	3.662.979	900.151	156.529	27.762	-	5.290.557
Residents in Turkey	165.575	-	343.962	3.625.377	887.658	155.010	24.659	-	5.202.241
Residents Abroad	13.406	-	20.193	37.602	12.493	1.519	3.103	-	88.316
Public Sector Deposits	5.699	-	-	-	-	-	-	-	5.699
Commercial Deposits	98.518	-	40.860	168.917	19.354	23.409	206.176	-	557.234
Other Institutions Deposits	5.582	-	1.039	38.819	2.097	21.205	10.962	-	79.704
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	6.643	-	86.846	-	-	-	-	-	93.489
The CBRT	-	-	65.720	-	-	-	-	-	65.720
Domestic Banks	120	-	21.126	-	-	-	-	-	21.246
Foreign Banks	6.523	-	-	-	-	-	-	-	6.523
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	326.950	-	718.497	6.203.911	1.021.689	279.699	321.725	-	8.872.471

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(Continued):**

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

2. Information on saving deposits insurance:

i. 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	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Saving Deposits				
Saving Deposits	931.241	696.957	2.660.173	2.148.831
Foreign Currency Savings Deposit	321.901	244.679	3.158.476	2.688.262
Other Deposits in the Form of Savings Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Total	1.253.142	941.636	5.818.649	4.837.093

ii. There are no deposits covered under foreign authorities' insurance since the Parent Bank is incorporated in Turkey.

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

	31 December 2018	31 December 2017
Deposits and Other Accounts in Foreign Branches	-	-
Deposits and Other Accounts of Main Shareholders and their Families	-	-
Deposits and Other Accounts of President of Board of Directors, Members of Board of Directors, Vice General Managers and Their Families	9.119	23.562
Deposits and Other Accounts of Property Assets Value due to Crime which is in the Scope of Article 282 of Numbered 5237 “TCK” Dated 26/9/2004	-	-
Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations	-	-
Total	9.119	23.562

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):

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

Schedule of negative differences concerning derivative financial liabilities at fair value through profit or loss:

Trading Derivative Financial Liabilities	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Forward Transactions	113.297	1.618	18.993	2.876
Swap Agreements	83.558	40.991	51.286	60.576
Futures Transactions	-	-	-	-
Options	-	49.461	307	26.740
Other	-	-	-	-
Total	196.855	92.070	70.586	90.192

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
The CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	128.809	219.470	115.370	296.886
From Foreign Banks, Institutions and Funds	-	6.512.328	90.435	5.580.071
Total	128.809	6.731.798	205.805	5.876.957

2. Information on maturity structure of borrowings:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Short-term	128.809	1.327.061	205.805	733.471
Medium and Long-term	-	5.404.737	-	5.143.486
Total	128.809	6.731.798	205.805	5.876.957

3. Additional information on the major concentration of the Group's liabilities:

The Group's main funding sources are deposits and borrowings. As of 31 December 2018, deposits and borrowings from Group's risk group comprise 0,24% (31 December 2017: 0,4%) of total deposits. Besides this, borrowings from Group's risk group comprise 67,28% (31 December 2017: 52,2%) of subordinated and other borrowings.

d. Information on marketable securities issued:

None (31 December 2017: None).

e. Information on other foreign liabilities:

Other foreign liabilities amounting to TL 1.110.644 (31 December 2017: TL 53.867 Other Foreign Liabilities and TL 353.907 Miscallenous Payables) do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

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(Continued):**

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

f. Information on lease payables:

The contingent rent installments of financial lease contracts are determined by the price of commodity, market interest rates and the maturity of funding. The financial leasing contracts do not have any conditions which place significant commitments on the Group.

g. Information on hedging derivative financial liabilities:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Hedging Fair Value Risk	-	-	-	-
Hedging Cash Flow Risk	59.902	10.371	40.807	13.168
Hedging Net Investment In Foreign Operations	-	-	-	-
Total	59.902	10.371	40.807	13.168

h. Information on provisions:

1. Information on general provisions:

Are classified under assets in the current period due to the implementation of IFRS 9.

	31 December 2017
General Provisions	107.566
Provisions for First Group Loans and Receivables	94.018
Additional Provision for Loans and Receivables with Extended Maturities	-
Provisions for Second Group Loans and Receivables	10.911
Additional Provision for Loans and Receivables with Extended Maturities	-
Provisions for Non-Cash Loans	2.166
Other	471

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(Continued):**

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

2. Information on reserve for employment termination benefits:

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have been working more than one year, when employment is terminated due to obligatory reasons or they retire, when they have fulfilled 25 working years (women 20) and are eligible for retirement (for women 58 years, for men 60 years), when they have been called up for military service or when they die. After the amendment of legislation on 23 May 2002, some of the transition process articles related to the working period before retirement were enacted.

As of the date of 1 July 2018, the payment amount which is one month’s salary for each working year is restricted to TL 5.434,42 (31 December 2017: TL 4.732,48). Employee termination benefits are not funded as there is no funding requirement.

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises. Independent actuaries are used in determining the liability of the Group. There are assumptions in the calculation as discount rate, employee turnover and expected salary increases. In this context, the following actuarial assumptions were used in the calculation of total liabilities:

	31 December 2018	31 December 2017
Discount rate (%)	4,07	3,26
Salary increase rate (%)	11,50	8,50
Average remaining work period (Year)	11,40	11,80

Movement of reserve for employment termination benefits during the period:

	31 December 2018	31 December 2017
As of January 1	12.478	10.499
Service cost	2.878	2.336
Interest cost	1.242	1.056
Settlement cost	240	936
Actuarial loss/gain	(325)	763
Benefits paid (-)	1.996	3.112
Total	14.517	12.478

In addition, as of 31 December 2018 the Group has accounted for vacation rights provision and personnel bonus provision amounting to TL 32.260 (31 December 2017: TL 24.035).

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(Continued):**

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

3. Other provisions:

i. Information on provisions for possible risks:

	31 December 2017
Provisions for potential risks (*)	40.555
Total	40.555

(*) Includes the provisions allocated for risks that may arise in the future related to certain loans in the Bank’s loan portfolio.

ii. Information on other provisions:

The Bank set aside reserves under other provisions amounting to TL 9.535 (31 December 2017: TL 8.864) for lawsuits, TL 32.838 (31 December 2017: TL 2.389) for provisions for non-cash loans that are not converted to cash and are not indemnified, TL 2.179 (31 December 2017: TL 1.911) for customer cheques commitments and TL 334 provisions for other receivables (31 December 2017: TL 236).

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

The provisions related to foreign currency differences of foreign indexed loans calculated as of the balance sheet date have been netted-off from the loan amount in the financial statements, and the amount of the provision related to foreign currency differences of foreign indexed loans is TL 26 (31 December 2017: TL 1.407).

i. Information on taxes payable:

1. Information on tax provision:

As of 31 December 2018, TL 2.246 corporate tax provision has been allocated (31 December 2017: TL 11.300).

2. Information on taxes payable:

	31 December 2018	31 December 2017
Corporate Tax Payable	2.246	11.300
Taxation of Marketable Securities	9.727	8.567
Property Tax	78	104
Banking Insurance Transaction Tax	9.150	6.517
Value Added Tax Payable	535	585
Other	4.096	3.090
Total	25.832	30.163

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

3. Information on premium payables:

	31 December 2018	31 December 2017
Social Security Premiums-Employee	1.404	2.254
Social Security Premiums-Employer	2.023	3.036
Bank Social Aid Pension Fund Premiums-Employee	-	-
Bank Social Aid Pension Fund Premiums-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	90	151
Unemployment Insurance-Employer	181	300
Other	40	213
Total	3.738	5.954

4. Explanations on deferred tax asset/liability:

As of 31 December 2018, the Group has netted-off the calculated deferred tax asset of TL 193.273 (31 December 2017: TL 34.676) and deferred tax liability of TL 176.516 (31 December 2017: TL 54.058) on a company basis in accordance with “TAS 12” and has recorded a net deferred tax asset of TL 22.960 and has recorded a net deferred tax liability of TL 6.203 (31 December 2017: TL 14.099 net deferred tax asset, TL 33.481 net deferred tax liability) in the financial statements.

j. Information on payables for assets held for resale and discontinued operations:

None (31 December 2017: None).

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

k. Information on subordinated loans:

Detailed explanation on subordinated loans including quantity, maturity, interest rate, issuing institution, option to be converted into stock certificate:

Issuing Institution	Amount	Opening Date	Maturity Date	Interest Rate (%)
Burgan Bank K.P.S.C. (Main Shareholder)	USD 150.000.000	6 December 2013	4 December 2023	LIBOR+3,75
Burgan Bank K.P.S.C. (Main Shareholder)	USD 150.000.000	30 March 2016	30 March 2026	LIBOR+3,75

The subordinated loan does not have the option to be converted into stock certificate.

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.599.472	-	1.140.582
Other Foreign	-	-	-	-
Total	-	1.599.472	-	1.140.582

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Debt Instruments Subject to Common Equity	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments Subject to Tier 2 Equity	-	1.599.472	-	1.140.582
Subordinated Loans	-	1.599.472	-	1.140.582
Subordinated Debt Instruments	-	-	-	-
Total	-	1.599.472	-	1.140.582

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(Continued):**

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

I. Information on shareholders’ equity:

1. Presentation of paid-in capital:

	31 December 2018	31 December 2017
Common Stock	1.535.000	1.185.000
Preferred Stock	-	-

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	Ceiling
Registered Capital	1.535.000	4.000.000

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

Capital Increase Date	Capital Increase Amount	Cash	Profit Reserves Related to Capital Increase	Capital Reserves Related to Capital Increase
16.03.2018	296	296	-	-
13.06.2018 (*)	347.647	347.647	-	-
08.08.2018 (*)	2.057	361	-	1.696
Total	350.000	348.304	-	1.696

(*) Following the Board of Directors’ decision dated 30 May 2018, the Bank’s total capital has been increased by TL 349.704.193,55, with this increase capital previously amounting to TL 1.185.295.806,45 has been increased to full TL 1.535.000.000. The main shareholder capital participation fee amounting to TL 347.647.411,43 has been collected as cash and the following amount has been transferred to the Bank’s capital account with the permission of the BRSA as of 13 June 2018. The rights of preference usage process has been completed and the Bank’s capital amounting to full TL 1.535.000.000 has been registered as of 8 August 2018.

4. Information on capital increases from capital reserves during the current period:

None.

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

None.

6. Information on equity by considering the prior period indicators of income, profitability and liquidity of the Parent Bank and its Subsidiaries and the uncertainties on these indicators:

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

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

I. Information on shareholders' equity (Continued):

7. Information on privileges given to shares representing the capital:

Based on the Principal Agreement, the Parent Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

8. Information on marketable securities valuation reserve:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Controlled Partnerships (Joint Ventures)	-	-	-	-
Valuation Difference	(8.303)	(8.999)	(2.366)	(143)
Foreign Currency Translation Difference	-	-	-	-
Total	(8.303)	(8.999)	(2.366)	(143)

9. Information on tangible assets revaluation reserve:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Movables	-	-	-	-
Immovables	19.610	-	18.075	-
Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales Income from	-	-	-	-
Immovables	1.413	-	-	-
Total	21.023	-	18.075	-

10. Information on distribution of prior year's profit:

Due to the General Assembly meeting decision on 30 March 2018, the profit of 2017 amounting to TL 109.848 (TAS 27) has not been distributed and has been classified as legal and extraordinary reserves.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

**III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET
ACCOUNTS:**

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

	31 December 2018	31 December 2017
Foreign currency buy/sell commitments	557.476	191.967
Commitments for cheques	77.343	109.606
Loan limit commitments	74.242	334.480
Commitments for credit card limits	-	18.445
Promotions for the credit cards and care services of the bank	-	8
Capital Commitments for subsidiaries and joint ventures	-	14.997
Total	709.061	669.503

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

There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in “Off-balance sheet commitments”.

i. Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letters of credit:

	31 December 2018	31 December 2017
Letter of guarantees	1.686.184	1.740.052
Letter of credits	385.116	234.673
Bank acceptance loans	103.337	107.766
Other guarantees	145.330	36.130
Factoring guarantees	-	28
Total	2.319.967	2.118.649

ii. Revocable, irrevocable guarantees, contingencies and other similar guarantees:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Irrevocable letters of guarantee	516.187	407.282	643.291	396.530
Revocable letters of guarantee	7.141	37.908	29.024	70.284
Letters of guarantee given in advance	4.485	225.758	7.571	157.427
Guarantees given to customs	25.205	63.836	56.429	26.916
Other letters of guarantee	43.657	354.725	19.740	332.840
Total	596.675	1.089.509	756.055	983.997

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(Continued):**

**III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET
ACCOUNTS (Continued):**

a. Information on off balance sheet commitments (Continued):

3. i. Total amount of non-cash loans:

	31 December 2018	31 December 2017
Non-cash loans given against cash loans	530.183	378.095
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	530.183	378.095
Other non-cash loans	1.789.784	1.740.554
Total	2.319.967	2.118.649

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

	31 December 2018				31 December 2017			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	2.816	0,47	5.547	0,32	2.135	0,28	11.845	0,87
Farming and Livestock	2.587	0,43	5.547	0,32	1.906	0,25	11.845	0,87
Forestry	-	-	-	-	-	-	-	-
Fishing	229	0,04	-	-	229	0,03	-	-
Manufacturing	136.589	22,88	789.236	45,81	185.436	24,42	730.196	53,73
Mining	64.282	10,77	183.117	10,63	64.056	8,43	126.684	9,32
Production	64.774	10,85	601.206	34,90	114.920	15,13	597.806	43,98
Electric, Gas, Water	7.533	1,26	4.913	0,29	6.460	0,85	5.706	0,42
Construction	114.034	19,10	466.943	27,10	156.492	20,60	362.735	26,69
Services	297.399	49,81	422.773	24,54	336.805	44,34	205.034	15,09
Wholesale and Retail Trade	30.865	5,17	106.608	6,19	65.451	8,62	43.200	3,18
Hotel and Food Services	469	0,08	627	0,04	7.598	1,00	19.458	1,43
Transportation and Telecommunication	23.209	3,89	14.743	0,86	26.452	3,48	4.980	0,37
Financial Institutions	220.587	36,94	174.788	10,15	219.187	28,86	63.844	4,70
Real Estate and Leasing Ser.	18.256	3,06	126.007	7,31	11.792	1,55	64.822	4,77
Professional Services	18	-	-	-	4.896	0,64	-	-
Education Services	2.070	0,35	-	-	106	0,01	1.698	0,12
Health and Social Services	1.925	0,32	-	-	1.323	0,17	7.032	0,52
Other	46.248	7,75	38.382	2,23	78.645	10,35	49.326	3,63
Total	597.086	100,00	1.722.881	100,00	759.513	100,00	1.359.136	100,00

iii. Information on non-cash loans classified in 1st and 2nd group:

Current Period (*)	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	572.860	1.053.383	18.220	26.715
Bank Acceptances	411	102.926	-	-
Letters of Credit	-	384.216	-	-
Endorsements	-	-	-	-
Securities Issuance Guarantees	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	145.330	-	-
Total	573.271	1.685.855	18.220	26.715

(*) In addition to non-cash loans stated above, the Group has non-cash loans classified as non-performing loans, amounting to TL 15.906. As of 31 December 2017, the Group has recorded provisions amounting to TL 7.104 provision regarding these risks.

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(Continued):**

**III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET
ACCOUNTS (Continued):**

b. Information on derivative financial instruments:

	31 December 2018	31 December 2017
Types of Trading Transactions		
Foreign currency related derivative transactions (I)	19.232.344	20.486.859
Currency forward transactions	1.421.759	1.902.175
Currency swap transactions	10.303.913	10.109.578
Futures transactions	-	-
Options	7.506.672	8.475.106
Interest related derivative transactions (II)	8.973.928	7.859.550
Forward rate agreements	-	-
Interest rate swaps	8.973.928	7.859.550
Interest rate options	-	-
Interest rate futures	-	-
Other trading derivative transactions (III)	-	-
A. Total trading derivative transactions (I+II+III)	28.206.272	28.346.409
Types of hedging transactions	6.729.625	4.602.364
Fair value hedges	-	-
Cash flow hedges	6.729.625	4.602.364
Foreign currency investment hedges	-	-
B. Total hedging related derivatives	6.729.625	4.602.364
Total derivative transactions (A+B)	34.935.897	32.948.773

c. Information on contingent assets and contingent liabilities:

As of 31 December 2018, the total amount of legal cases against the Group is TL 56.407 (31 December 2017: TL 59.102) and the Group sets aside a provision of TL 9.535 (31 December 2017: TL 8.864) regarding these risks. Due to the delayed reply to e-foreclosure sent by Gökpınar Tax Administration, negative declaratory action has been claimed at “Denizli Tax Authority” and “Denizli Civil Court of General Jurisdiction” for cancellation of the payment order of TL 25.459, which was notified to the Parent Bank. The transactions have been stopped with obtaining injunction in response to 15% collateral. The law cases in local courts have resulted in favor of the Parent Bank. The cases are at the appeal phase. As a result, the Parent Bank did not book any provision.

d. Brief information on the Bank’s rating given by International Rating Institutions:

FITCH (23 October 2018)

Outlook	Negative
Long Term FC	BB-
Short Term FC	B
Long Term TL	BB
Short Term TL	B
Support Rating	3
National Rating	AA (tur)
Viability Rating	b

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT:

a. Information on interest income:

1. Information on interest income on loans :

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Interest Income on Loans (*)				
Short-term Loans	579.951	38.019	354.956	16.240
Medium/Long-term Loans	503.958	527.758	381.154	373.805
Interest on Loans Under Follow-up	3.759	-	4.056	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	1.087.668	565.777	740.166	390.045

(*) Includes fee and commission income related with cash loans.

2. Information on interest income on banks:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
From the CBRT	58.205	-	11.842	-
From Domestic Banks	14.496	1.076	13.934	1.053
From Foreign Banks	-	4.757	-	60
Headquarters and Branches Abroad	-	-	-	-
Total	72.701	5.833	25.776	1.113

3. Information on marketable securities:

31 December 2018	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss	791	675
Financial Assets Measured at Fair Value through Other Comprehensive Income	29.503	6.601
Financial Assets Measured at Amortized Cost	-	10.724
Total	30.294	18.000

31 December 2017	TP	YP
Held-for-Trading Financial Assets	4.602	181
Financial Assets at Fair Value through Profit/Loss	-	-
Investment Securities Available for Sale	24.062	6.238
Investment Securities Held to Maturity	-	7.302
Toplam	28.664	13.721

4. Information on interest income received from investments in associates and subsidiaries:

None (31 December 2017: None).

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(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

b. Information on interest expense:

1. Information on interest expense on borrowings:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Banks	33.242	350.081	15.556	187.749
The CBRT	-	-	-	-
Domestic Banks	33.242	2.127	15.556	1.174
Foreign Banks	-	347.954	-	186.575
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	15.952	-	12.449
Total (*)	33.242	366.033	15.556	200.198

(*) Includes fee and commission expense related with cash loans.

2. Information on interest expense given to investments in associates and subsidiaries:

None (31 December 2017: None).

3. Information on interest expense on issued securities:

	31 December 2018	31 December 2017
Interest expense on issued securities	-	1.436

4. Information on interest rate and maturity structure of deposits:

Current Period	Demand Deposit	Time Deposit						Accum. Deposit	Total	Prior Period Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year				
TL										
Bank Deposits	-	449	-	-	-	-	-	-	449	4.312
Savings Deposits	-	79.087	493.141	30.970	16.401	15.228	-	-	634.827	275.427
Public Deposits	-	-	250	-	-	-	-	-	250	13
Commercial Deposits	-	8.481	56.185	1.954	3.816	11.939	-	-	82.375	74.802
Other Deposits	-	358	17.470	218	1.081	494	-	-	19.621	17.708
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-	-
Total	-	88.375	567.046	33.142	21.298	27.661	-	-	737.522	372.262
FC										
Foreign Currency Account	-	14.484	203.117	23.040	7.833	4.103	-	-	252.577	189.802
Bank Deposits	-	8.148	-	-	-	-	-	-	8.148	2.019
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-	-	-
Total	-	22.632	203.117	23.040	7.833	4.103	-	-	260.725	191.821
Sum Total	-	111.007	770.163	56.182	29.131	31.764	-	-	998.247	564.083

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(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

c. Information on dividend income:

31 December 2018	
Financial Assets at Fair Value through Profit/Loss	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	700
Other	-
Total	700

31 December 2017	
Held-for-Trading Financial Assets	-
Financial Assets at Fair Value through Profit/Loss	-
Investment Securities Available for Sale	330
Other	-
Total	330

d. Information on trading loss/income (Net):

	31 December 2018	31 December 2017
Income	34.557.609	18.380.079
Capital Market Transactions	7.082	8.693
Derivative Financial Transactions	208.598	59.418
Foreign Exchange Gains	34.341.929	18.311.968
Loss (-)	34.485.786	18.362.464
Capital Market Transactions	4.636	5.380
Derivative Financial Transactions	211.011	40.295
Foreign Exchange Losses	34.270.139	18.316.789
Net Income/(Loss)	71.823	17.615

e. Information on other operating income:

The Group’s other operating income in the current period is TL 37.227 (31 December 2017: TL 28.633). TL 2.951 (31 December 2017: TL 5.362) of the amount of other operating income is composed of profit from sales of the fixed assets that were classified as “Asset Held for Resale” of the Parent Bank.

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(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

f. Provision expenses related to loans and other receivables:

	31 December 2018
Expected Credit Loss	259.205
12 Month Expected Credit Loss (Stage 1)	40.330
Significant Increase in Credit Risk (Stage 2)	(58.979)
Non-performing Loans (Stage 3)	277.854
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	-
Investments in Associates, Subsidiaries and Joint Ventures Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	-
Total	259.205

	31 December 2017
Specific Provisions for Loans and Other Receivables	71.601
III. Group Loans and Receivables	3.432
IV. Group Loans and Receivables	140
V. Group Loans and Receivables	68.029
General Provision Expenses	9.195
Provision Expense for Possible Risks	12.716
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value Through Profit or Loss	-
Available-for-sale Financial Assets	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Held-to-maturity Investments	-
Other	-
Total	93.512

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(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

g. Information related to other operating expenses:

	31 December 2018
Personnel Expenses (**)	193.265
Reserve For Employee Termination Benefits (*)	5.564
Bank Social Aid Pension Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	357
Amortization Expenses of Fixed Assets	11.118
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	12.119
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held For Resale	869
Amortization Expenses of Assets Held for Resale	-
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	142.658
Operational Lease Expenses	33.317
Maintenance Expenses	3.302
Advertising Expenses	3.138
Other Expense	102.901
Loss on Sales of Assets	22
Other	37.505
Total	403.477

(*) As of 31 December 2018, the “Employee Vacation Fee Provision Income” is TL 1.079 (31 December 2017: TL 1.203).

(**) The personnel expenses amount has been presented on a separate row on the income statement.

	31 December 2017
Personnel Expenses	174.888
Reserve For Employee Termination Benefits	5.466
Bank Social Aid Pension Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	1.141
Depreciation Expenses of Fixed Assets	12.691
Impairment Expenses of Intangible Assets	-
Impairment Expense of Goodwill	-
Amortisation Expenses of Intangible Assets	10.668
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held For Resale	397
Depreciation Expenses of Assets Held for Resale	46
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	120.014
Operational Lease Expenses	32.044
Maintenance Expenses	2.305
Advertising Expenses	1.164
Other Expense	84.501
Loss on Sales of Assets	512
Other	31.622
Total	357.445

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(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

h. Information on net income/(loss) before taxes from discontinued and continuing operations:

The Group has no discontinued operations. The Group's income before tax from continuing operations is TL 209.064 (31 December 2017: TL 148.216 income before tax).

i. Information on provision for taxes from discontinued and continuing operations:

The Group has no discontinued operations and the explanations below represent the provision for taxes of continuing operations.

1. Information on calculated current tax income or expense and deferred tax income or expense:

As of 31 December 2018, the Group has current tax expense amounting to TL 10.389 and deferred tax expense amounting to TL 36.916.

2. Explanations on deferred tax income or expense arising from the temporary differences occurred or have been closed:

The Group has TL 21.603 deferred tax income from temporary differences, TL 52.518 deferred tax income from carried financial loss. The deferred tax expense due to the closing of temporary differences amounts to TL 111.037, netting off to TL 36.916 deferred tax expense.

3. Information on recognition of temporary difference, financial loss, diminution of tax and exceptions on income statement:

As of 31 December 2018, the Group has TL 89.434 (31 December 2017: TL 5.233) deferred tax expense arising from temporary differences and TL 52.518 deferred tax income as a result of financial loss. (31 December 2017: TL 1.887).

j. Information on net income/(loss) before taxes from discontinued and continuing operations:

The Group has no discontinued operations and the below article (j) represents the current period net profit and loss from continuing operations.

k. Information on net income/(loss) for the period:

1. If the disclosure of usual banking transactions, income and expenditure items' composition is necessary to understand the annual performance of the Group, the composition and amount of these items:

None.

2. If an estimation change significantly affects the profit or has the probability of affecting the profit of following period, the effect for related periods:

None.

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(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

I. Information on other income and expenses:

1. In the current period, the Group’s interest income amounts to TL 2.547.733 (31 December 2017: TL 1.573.350) and TL 444.320 (31 December 2017: TL 216.401) of the related amount is classified as “Other Interest Income” account in income statement.

	31 December 2018	31 December 2017
Other Interest Income		
Interest income related to derivative transactions	397.011	194.292
Other	47.309	22.109
Total	444.320	216.401

2. In the current period, the Group’s interest expense amounting to TL 1.817.901 (31 December 2017: TL 1.061.478) and TL 410.348 (31 December 2017: TL 261.445) of the related amount is classified as “Other Interest Expense” in the income statement.

	31 December 2018	31 December 2017
Other Interest Expense		
Interest expense related to derivative transactions	357.984	239.241
Other	52.364	22.204
Total	410.348	261.445

3. In the current period, the Group’s fee and commission income amounts to TL 50.170 (31 December 2017: TL 50.831) and TL 26.801 (31 December 2017: TL 32.460) of the related amount is classified under “Other” account.

	31 December 2018	31 December 2017
Other Fee and Commissions Received		
Insurance Commissions	7.898	8.197
Investment Consultancy Fees	5.106	6.938
Account Operating Fees	2.066	1.838
Commissions From Brokerage Activity in Istanbul Stock Exchange	692	625
Commissions on Investment Fund Services	558	204
Commissions from Correspondent Banks	666	497
Transfer Commissions	619	817
Credit Card and POS Transaction Commission	182	535
Common Point Commissions	84	106
Letter of Credit Commissions	10	9
Other	8.920	12.694
Total	26.801	32.460

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(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

4. In the current period, Group’s fee and commission expense amounts to TL 18.006 (31 December 2017: TL 10.108) and TL 17.710 (31 December 2017: TL 9.612) of the related amount is classified under “Other” account.

	31 December 2018	31 December 2017
Other Fee and Commissions Given		
Credit Card Transaction Commission	2.007	2.384
Commissions Granted to Correspondent Banks	1.411	1.144
EFT Commissions	1.013	794
Stock Exchange Contribution Expenses	947	1.133
Common Point Clearing Commissions	393	413
Transfer Commissions	153	96
Other	11.786	3.648
Total	17.710	9.612

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS’ EQUITY

a. Information on change in the shareholder structure of the Bank:

There is no change in Parent Bank’s partnership structure in 2018.

b. Information on distribution of profit:

According to the decision of the Parent Bank held at the Ordinary General Assembly Meeting held on 30 March 2018; While adapting TAS 27 Standard, the profit of 2017, TL 109.848 was not distributed, the amount was allocated as legal reserves and extraordinary reserves.

c. Information on capital increase:

Following the Board of Directors’ decision dated 30 May 2018, the Bank’s total capital has been increased by TL 349.704.193,55, with this increase capital previously amounting to TL 1.185.295.806,45 has been increased to full TL 1.535.000.000. The main shareholder capital participation fee amounting to TL 347.647.411,43 has been collected as cash and the following amount has been transferred to the Bank’s capital account with the permission of the BRSA as of 13 June 2018. The rights of preference usage process has been completed and the Bank’s capital amounting to full TL 1.535.000.000 has been registered as of 8 August 2018.

The upper limit of registered capital of 2 billion TL has increased to 4 billion TL with the decision of Board of Directors on 3 October 2018.

d. Information on valuation differences of marketable securities:

“Unrealized gains and losses” arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statements; they are recognized in the “Marketable securities valuation reserve” account under equity, until the financial assets are sold, disposed or impaired.

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(8.303)	(8.999)	(2.366)	(143)
Foreign Currency Difference	-	-	-	-
Total	(8.303)	(8.999)	(2.366)	(143)

e. Information on revaluation differences of tangible and intangible assets :

The reversal from revaluation reserve to their fair value for immovables amounting to TL 1.535 increase net of tax (31 December 2017: TL 1.948 increase) is accounted under “Revaluation differences of tangible assets and intangible assets”.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

a. Information on cash and cash equivalent assets:

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash, foreign currency, cash in transit and purchased bank cheques together with demand deposits at banks including the CBRT are defined as “Cash”; interbank money market and time deposits in banks with original maturities of less than three months are defined as “Cash Equivalents”.

1. Cash and cash equivalents at the beginning of period:

	31 December 2018	31 December 2017
Cash	1.131.675	415.275
Cash, Foreign Currency and Other	52.078	26.850
Demand Deposits in Banks	1.079.597	388.425
Cash Equivalents	130.469	334.286
Interbank Money Market	11.000	16.690
Time Deposits in Bank	119.469	317.596
Total Cash and Cash Equivalents	1.262.144	749.561

The total amount from the operations that occurred in the prior period is the total cash and cash equivalents amount at the beginning of the current period.

2. Cash and cash equivalents at the end of the period:

	31 December 2018	31 December 2017
Cash	2.053.698	1.131.675
Cash, Foreign Currency and Other	156.316	52.078
Demand Deposits in Banks	1.897.382	1.079.597
Cash Equivalents	596.366	130.469
Interbank Money Market	9.000	11.000
Time Deposits in Bank	587.366	119.469
Total Cash and Cash Equivalents	2.650.063	1.262.144

b. Information on other items presented in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents :

“Other” items presented in “Net operating income before changes in operating assets and liabilities” amount to negative TL 674.475 TL (31 December 2017: negative TL 203.540) and mainly consists of other operating income excluding collections from non-performing loans, other operating expenses excluding personnel expenses and foreign exchange gain and loss items.

“Net increase/decrease in liabilities” items presented in “Changes in operating assets and liabilities” amount to positive TL 193.489 (31 December 2017: negative TL 129.922) and consist of changes in other liabilities and miscellaneous payables.

As of 31 December 2018, the effect of change in foreign exchange rate on cash and cash equivalents is calculated as approximately positive TL 190.537 (31 December 2017: negative TL 13.202).

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

VII. EXPLANATIONS AND NOTES RELATED TO GROUP’S RISK GROUP:

- a. **The volume of transactions relating to the Group’s risk group, outstanding loan and deposit transactions and profit and loss of the period:**

1. Prior period financial information is presented as at 31 December 2017 for balance sheet items and for income statements items.

31 December 2018:

Groups’ Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	12.963	-	-	27	15.429
Balance at the End of the Period	-	10.792	-	149.865	166	87
Interest and Commission Income Received	-	-	-	-	23	-

31 December 2017:

Groups’ Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	27.908	-	-	113	68.425
Balance at the End of the Period	-	12.963	-	-	27	15.429
Interest and Commission Income Received	-	-	-	-	12	-

2. Information on deposits and repurchase transactions of the Group’s risk group:

Groups’ Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		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
Deposit						
Beginning of the Period	-	-	6.357	5.656	24.791	26.005
End of the Period	-	-	11.951	6.357	12.172	24.791
Interest Expense on Deposits	-	-	8.973	-	1.713	1.581

Groups’ Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		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
Repurchase Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Interest Expense on Repurchase Transactions	-	-	-	-	-	-

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(Continued):**

VII. EXPLANATIONS AND NOTES RELATED TO GROUP’S RISK GROUP (Continued):

3. Information on forward and option agreements and other similar agreement with the Group’s risk group:

Groups’ Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		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 for trading purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-
Transactions for hedging purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

b. With respect to the Group’s risk group:

1. The relations with entities that are included in the Group’s risk group and controlled by the Group:

The Group performs various transactions with related parties during its banking activities. These are commercial transactions realised with market prices.

2. The type of transaction, the amount and its ratio to total transaction volume, the amount of significant items and their ratios to total items, pricing policy and other issues:

	Total Risk Group	Share in Financial Statements (%)
Borrowings and Subordinated Loans	5.691.597	67,28
Deposits	24.123	0,24
Non-cash Loans	160.744	6,93
Banks and Other Financial Institutions Loans	137.713	70,04
Loans	166	0,00

As of 31 December 2018, the Group has TL 2.987 interest income from deposits given to banks included in the risk group (31 December 2017: TL 17), the Group has realized interest expense amounting to TL 232.158 (31 December 2017: TL 135.437) on loans borrowed from the banks included in the risk group.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
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VII. EXPLANATIONS AND NOTES RELATED TO GROUP’S RISK GROUP (Continued):

3. Information on transactions such as purchase-sale of immovable and other assets, purchase-sale of service, agent agreements, financial lease agreements, transfer of the information gained as a result of research and development, license agreements, financing (including loans and cash or in kind capital), guarantees, collaterals and management contracts:

In accordance with the limits in Banking Law, cash and non-cash loans are allocated to the Parent Bank’s risk group and the amount composes 0,99% (31 December 2017: 0,18%) of the Group’s total cash and non-cash loans.

As of 31 December 2018 there are no purchase-sales transactions on any assets including real estate with the risk group consisting the Parent Bank.

As of 31 December 2018 there are no agreements related to transfer and management of the information gathered from the research and development with the risk group that the Parent Bank is included.

c. Information on benefits provided to top management:

Top management of the Group is composed of the Board of Directors, General Manager and Vice General Managers. The sum of benefits paid to top management, amounts to TL 24.066 (31 December 2017: TL 20.740) which include total gross salary, travel, meal, health, life insurance and other expenses.

VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK

- a. Information on domestic, foreign branches and foreign representatives:

	Number	Employee number			
Domestic Branch	41	1.006			
			Country of Incorporation		
Foreign Representative	-	-	-		
				Total Asset	Statutory share capital
Foreign Branch	-	-	-	-	-
Off-Shore Banking Region Branch	-	-	-	-	-

- b. There is no event that would affect opening or closing a domestic branch, a foreign branch or a representative office of the Parent Bank.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS:

None.

SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS RELATED TO THE GROUP’S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON AUDITOR’S REPORT

I. EXPLANATIONS ON INDEPENDENT AUDIT REPORT

The consolidated financial statements as of 31 December 2018 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) and the auditor’s audit report dated 28 February 2019 has been presented prior to the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR:

None.