

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDIT  
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 2019**



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**(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF 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, 2019, 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, 2019 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 Accounting Standards ("TAS") 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>Financial impact of TFRS 9 “Financial Instruments” standard and recognition of impairment on financial assets and related important disclosures</i></p>	
<p>As disclosed in footnote VIII. of Section 3; We considered expected credit loss calculations of financial assets outlined in TFRS 9 as a key audit matter due to:</p> <ul style="list-style-type: none"> <li>▪ Financial assets within balance-sheet and off-balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements</li> <li>▪ The applications TFRS 9 are complex and comprehensive</li> <li>▪ The classification of financial instruments based on the Group’s business models and the characteristics of contractual cash flows in line with TFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows</li> <li>▪ 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</li> <li>▪ The complexity and intensity of the control environment in the processes designed or reorganized for TFRS 9</li> <li>▪ Estimations and assumptions used in expected credit losses are new, important and complex</li> <li>▪ Complex and comprehensive disclosure requirements of TFRS 9.</li> </ul>	<p>Our audit procedures in addition to our current audit procedures:</p> <ul style="list-style-type: none"> <li>▪ Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Group's past performance, and local and global practices</li> <li>▪ 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</li> <li>▪ 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</li> <li>▪ 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</li> <li>▪ 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</li> <li>▪ Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses</li> <li>▪ Detailed testing of mathematical verification of expected credit losses’ calculation on a sample basis</li> <li>▪ Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment</li> <li>▪ Evaluating the necessity and accuracy of the updates made or required updates after the modeling process</li> <li>▪ Auditing of disclosures related to TFRS 9.</li> </ul>



<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-l and Note II-g.</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, 2019 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.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



February 10, 2020  
İstanbul, Türkiye

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED 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 2019**

Address of the Bank's Head Office : Maslak Mahallesi, Eski Büyükdere Caddesi, No:13 34485 Sarıyer/İstanbul  
Telephone and Fax Numbers of Bank : Telephone: 0 212 371 37 37  
Fax : 0 212 371 42 42  
Bank's Website : www.burgan.com.tr  
Contact E-mail : [bilgi@burgan.com.tr](mailto:bilgi@burgan.com.tr)

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 FOR THE RELEVANT PERIOD
- **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>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 ("TL"), 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.

10 February 2020

Emin Hakan EMİNSOY  
Chairman of the Board of  
Directors

Ali Murat DİNÇ  
Member of the Board of  
Directors and  
General Manager

Ümit SÖNMEZ  
Head of Financial Affairs

Ahmet CİĞA  
Head of Accounting,  
Tax, and Reporting Unit

Halil CANTEKİN  
Head of the Audit Committee

Adrian Alejandro GOSTUSKI  
Member of the Audit Committee

Fouad Husni DOUGLAS  
Member of the Audit Committee

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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**(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 2019**

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

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**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 A.Ş. and Tekfen Finansal Kiralama A.Ş. 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. (formerly Burgan Bank S.A.K), 70% of the bank shares belonging to Eurobank EFG 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. (formerly Burgan Bank S.A.K) 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. (formerly Burgan Bank S.A.K) 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 2019**

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

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**GENERAL INFORMATION ABOUT THE GROUP (Continued):**

**II. EXPLANATION 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.

Bank’s capital amounting to full TL 1.535.000.000 has been registered as of 8 August 2018.

There is no change in the Bank’s shareholder structure.

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 2019**

(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>
<b>Chairman of the Board of Directors:</b>	Emin Hakan Eminsoy	Chairman of Board of Directors	Undergraduate
<b>Board of Directors Members:</b>	Faisal M.A. Al Radwan	Deputy Chairman	Undergraduate
	Adrian Alejandro Gostuski	Member	Graduate
	Mehmet Alev Göçmez	Member	Graduate
	Halil Cantekin	Member	Undergraduate
	Osama T. Al Ghoussein	Member	Undergraduate
	Fouad Husni Douglas	Member	Graduate
	Khaled F.A.O. Alzouman	Member	Undergraduate
	Ali Murat Dinç	Member and General Manager	Graduate
<b>General Manager:</b>	Ali Murat Dinç	Member and General Manager	Graduate
<b>Vice General Managers:</b>	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 and Corporate Banking	Undergraduate
	Hasan Hüseyin Uyar	Loans	Graduate
	Hasan Ufuk Dinç	Digital Banking and Information Technologies	Graduate
	Ümit Sönmez	Financial Affairs	Graduate
<b>Audit Committee:</b>	Halil Cantekin	Committee President	Undergraduate
	Adrian Alejandro Gostuski	Member	Graduate
	Fouad Husni Douglas	Member	Undergraduate

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

**(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 2019**

(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:**

<b>Name/Commercial title</b>	<b>Share Amounts</b>	<b>Share percentage</b>	<b>Paid-in Capital</b>	<b>Unpaid portion</b>
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 2019, the Parent Bank, whose headquarter located in Istanbul, has 35 branches operating in Turkey (31 December 2018: 41). The Parent Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 31 December 2019, the Group has 1.024 (31 December 2018: 1.090) 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 (Consolidated Statement of financial position)
- II. Consolidated off-balance sheet commitments
- III. Consolidated statement of profit or loss
- IV. Consolidated statement of profit or loss and other comprehensive income
- V. Consolidated statement of changes in shareholders' equity
- VI. Consolidated statement of cash flows
- VII. Consolidated 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 2019 AND 31 DECEMBER 2018**

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

I. BALANCE SHEET	Note (Section Five)	Audited (31/12/2019)			Audited (31/12/2018)		
		TL	FC	Total	TL	FC	Total
<b>ASSETS</b>							
<b>I. FINANCIAL ASSETS (Net)</b>		<b>1.997.500</b>	<b>2.304.665</b>	<b>4.302.165</b>	<b>2.479.152</b>	<b>2.024.626</b>	<b>4.503.778</b>
<b>I.1 Cash and cash equivalents</b>		<b>1.271.783</b>	<b>2.023.492</b>	<b>3.295.275</b>	<b>1.385.180</b>	<b>1.566.479</b>	<b>2.951.659</b>
1.1.1 Cash and balances at Central Bank	I-a	172.637	1.990.025	2.162.662	1.373.278	1.373.138	2.746.416
1.1.2 Banks	I-c	541.238	33.467	574.705	3.267	193.341	196.608
1.1.3 Receivables from Money Markets		557.969	-	557.969	9.000	-	9.000
1.1.4 Expected credit losses (-)		61	-	61	365	-	365
<b>I.2 Financial assets at fair value through profit or loss</b>	<b>I-b</b>	<b>1.553</b>	<b>34.739</b>	<b>36.292</b>	<b>1.117</b>	<b>11.654</b>	<b>12.771</b>
1.2.1 Public debt securities		802	3.813	4.615	1.117	10.938	12.055
1.2.2 Equity instruments		751	-	751	-	-	-
1.2.3 Other financial assets		-	30.926	30.926	-	716	716
<b>I.3 Financial assets at fair value through other comprehensive income</b>	<b>I-d</b>	<b>168.674</b>	<b>167.651</b>	<b>336.325</b>	<b>258.862</b>	<b>134.287</b>	<b>393.149</b>
1.3.1 Public debt securities		160.490	159.728	320.218	248.906	134.287	383.193
1.3.2 Equity instruments		7.674	7.923	15.597	9.456	-	9.456
1.3.3 Other financial assets		510	-	510	500	-	500
<b>I.4 Derivative financial assets</b>	<b>I-l</b>	<b>555.490</b>	<b>78.783</b>	<b>634.273</b>	<b>833.993</b>	<b>312.206</b>	<b>1.146.199</b>
1.4.1 Derivative financial assets at fair value through profit or loss		123.155	73.996	197.151	197.765	283.466	481.231
1.4.2 Derivative financial assets at fair value through other comprehensive income		432.335	4.787	437.122	636.228	28.740	664.968
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)</b>		<b>4.890.565</b>	<b>11.283.669</b>	<b>16.174.234</b>	<b>5.975.521</b>	<b>11.050.481</b>	<b>17.026.002</b>
<b>2.1 Loans</b>	<b>I-e-f</b>	<b>4.673.923</b>	<b>9.190.030</b>	<b>13.863.953</b>	<b>5.686.116</b>	<b>8.999.987</b>	<b>14.686.103</b>
<b>2.2 Receivables from leasing transactions</b>	<b>I-k</b>	<b>570.956</b>	<b>2.372.175</b>	<b>2.943.131</b>	<b>602.059</b>	<b>2.197.001</b>	<b>2.799.060</b>
<b>2.3 Factoring receivables</b>	<b>I-e-f</b>	<b>7</b>	<b>-</b>	<b>7</b>	<b>7</b>	<b>-</b>	<b>7</b>
<b>2.4 Other financial assets measured at amortized cost</b>	<b>I-g</b>	<b>-</b>	<b>262.923</b>	<b>262.923</b>	<b>-</b>	<b>236.801</b>	<b>236.801</b>
2.4.1 Public debt securities		-	262.923	262.923	-	236.801	236.801
2.4.2 Other financial assets		-	-	-	-	-	-
<b>2.5 Expected credit losses (-)</b>	<b>I-e-f</b>	<b>354.321</b>	<b>541.459</b>	<b>895.780</b>	<b>312.661</b>	<b>383.308</b>	<b>695.969</b>
<b>III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)</b>	<b>I-r</b>	<b>409.415</b>	<b>-</b>	<b>409.415</b>	<b>113.385</b>	<b>-</b>	<b>113.385</b>
3.1 Held for sale		409.415	-	409.415	113.385	-	113.385
3.2 Held from discontinued operations		-	-	-	-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4.1 Investments in associates (Net)</b>	<b>I-h</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1 Associates accounted by using equity method		-	-	-	-	-	-
4.1.2 Non-consolidated associates		-	-	-	-	-	-
<b>4.2. Investments in subsidiaries (Net)</b>	<b>I-i</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.2.1 Non-consolidated financial subsidiaries		-	-	-	-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		-	-	-	-	-	-
<b>4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)</b>	<b>I-j</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-	-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>	<b>I-m</b>	<b>322.442</b>	<b>-</b>	<b>322.442</b>	<b>63.737</b>	<b>-</b>	<b>63.737</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	<b>I-n</b>	<b>38.824</b>	<b>-</b>	<b>38.824</b>	<b>45.003</b>	<b>-</b>	<b>45.003</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		38.824	-	38.824	45.003	-	45.003
<b>VII. INVESTMENT PROPERTIES (Net)</b>	<b>I-o</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSETS</b>		<b>13.854</b>	<b>-</b>	<b>13.854</b>	<b>15.757</b>	<b>-</b>	<b>15.757</b>
<b>IX. DEFERRED TAX ASSETS</b>	<b>I-p</b>	<b>65.844</b>	<b>-</b>	<b>65.844</b>	<b>22.960</b>	<b>-</b>	<b>22.960</b>
<b>X. OTHER ASSETS (Net)</b>	<b>I-s</b>	<b>130.008</b>	<b>90.022</b>	<b>220.030</b>	<b>147.782</b>	<b>90.461</b>	<b>238.243</b>
<b>TOTAL ASSETS</b>		<b>7.868.452</b>	<b>13.678.356</b>	<b>21.546.808</b>	<b>8.863.297</b>	<b>13.165.568</b>	<b>22.028.865</b>

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 BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)**  
**AT 31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

I. BALANCE SHEET	Note (Section Five)	Audited (31/12/2019)			Audited (31/12/2018)		
		TL	FC	Total	TL	FC	Total
<b>LIABILITIES</b>							
<b>I. DEPOSITS</b>	<b>II-a</b>	<b>3.626.459</b>	<b>7.779.406</b>	<b>11.405.865</b>	<b>4.150.781</b>	<b>5.764.519</b>	<b>9.915.300</b>
<b>II. LOANS RECEIVED</b>	<b>II-c</b>	<b>228.779</b>	<b>4.821.351</b>	<b>5.050.130</b>	<b>128.809</b>	<b>6.731.798</b>	<b>6.860.607</b>
<b>III. MONEY MARKET FUNDS</b>		<b>19.168</b>	<b>192.346</b>	<b>211.514</b>	<b>8.922</b>	<b>171.306</b>	<b>180.228</b>
<b>IV. MARKETABLE SECURITIES (Net)</b>	<b>II-d</b>	-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
<b>V. FUNDS</b>		-	-	-	-	-	-
5.1 Borrower funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>II-b</b>	-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	<b>II-g</b>	<b>120.688</b>	<b>103.806</b>	<b>224.494</b>	<b>256.757</b>	<b>102.441</b>	<b>359.198</b>
7.1 Derivative financial liabilities at fair value through profit or loss		54.032	92.549	146.581	196.855	92.070	288.925
7.2 Derivative financial liabilities at fair value through other comprehensive income		66.656	11.257	77.913	59.902	10.371	70.273
<b>VIII. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IX. LEASE PAYABLES (Net)</b>	<b>II-f</b>	<b>26.364</b>	<b>92.604</b>	<b>118.968</b>	-	-	-
<b>X. PROVISIONS</b>	<b>II-h</b>	<b>75.314</b>	<b>15.737</b>	<b>91.051</b>	<b>65.166</b>	<b>26.497</b>	<b>91.663</b>
10.1 Provision for restructuring		-	-	-	-	-	-
10.2 Reserves for employee benefits		52.740	-	52.740	46.777	-	46.777
10.3 Insurance technical reserves (Net)		-	-	-	-	-	-
10.4 Other provisions		22.574	15.737	38.311	18.389	26.497	44.886
<b>XI. CURRENT TAX LIABILITIES</b>	<b>II-i</b>	<b>40.314</b>	-	<b>40.314</b>	<b>29.570</b>	-	<b>29.570</b>
<b>XII. DEFERRED TAX LIABILITIES</b>	<b>II-i</b>	-	-	-	<b>6.203</b>	-	<b>6.203</b>
<b>XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)</b>	<b>II-j</b>	-	-	-	-	-	-
13.1 Held for sale		-	-	-	-	-	-
13.2 Related to discontinued operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT</b>	<b>II-k</b>	-	<b>1.797.925</b>	<b>1.797.925</b>	-	<b>1.599.472</b>	<b>1.599.472</b>
14.1 Loans		-	1.797.925	1.797.925	-	1.599.472	1.599.472
14.2 Other debt instruments		-	-	-	-	-	-
<b>XV. OTHER LIABILITIES</b>	<b>II-e</b>	<b>201.677</b>	<b>485.595</b>	<b>687.272</b>	<b>202.453</b>	<b>908.191</b>	<b>1.110.644</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>II-l</b>	<b>1.935.465</b>	<b>(16.190)</b>	<b>1.919.275</b>	<b>1.872.094</b>	<b>3.886</b>	<b>1.875.980</b>
16.1 Paid-in capital		1.535.000	-	1.535.000	1.535.000	-	1.535.000
16.2 Capital reserves		(736)	-	(736)	(99)	-	(99)
16.2.1 Equity share premiums		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Other capital reserves		(736)	-	(736)	(99)	-	(99)
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		15.617	-	15.617	16.552	-	16.552
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		(12.595)	(16.190)	(28.785)	60.028	3.886	63.914
16.5 Profit reserves		259.625	-	259.625	273.197	-	273.197
16.5.1 Legal reserves		22.870	-	22.870	21.402	-	21.402
16.5.2 Statutory reserves		-	-	-	-	-	-
16.5.3 Extraordinary reserves		236.755	-	236.755	251.795	-	251.795
16.5.4 Other profit reserves		-	-	-	-	-	-
16.6 Profit or loss		138.554	-	138.554	(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		138.554	-	138.554	161.759	-	161.759
16.7 Minority shares		-	-	-	-	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6.274.228</b>	<b>15.272.580</b>	<b>21.546.808</b>	<b>6.720.755</b>	<b>15.308.110</b>	<b>22.028.865</b>

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 STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

<b>III. STATEMENT OF PROFIT OR LOSS</b>	<b>Note</b>	<b>Audited</b>	<b>Audited</b>
<b>INCOME AND EXPENSE ITEMS</b>	<b>(Section</b>	<b>01/01/2019 - 31/12/2019</b>	<b>01/01/2018-31/12/2018</b>
	<b>Five)</b>		
<b>I. INTEREST INCOME</b>	<b>IV-a</b>	<b>2.413.070</b>	<b>2.547.733</b>
1.1 Interest received from loans		1.513.838	1.653.445
1.2 Interest received from reserve deposits		28.593	38.792
1.3 Interest received from banks		53.684	78.534
1.4 Interest received from money market transactions		113.202	76.599
1.5 Interest received from marketable securities portfolio		56.131	48.294
1.5.1 Financial assets at fair value through profit or loss		1.525	1.466
1.5.2 Financial assets at fair value through other comprehensive income		43.220	36.104
1.5.3 Financial assets measured at amortized cost		11.386	10.724
1.6 Finance lease interest income		247.019	207.749
1.7 Other interest income		400.603	444.320
<b>II. INTEREST EXPENSES (-)</b>	<b>IV-b</b>	<b>1.600.423</b>	<b>1.817.901</b>
2.1 Interest on deposits		886.083	998.247
2.2 Interest on funds borrowed		404.785	399.275
2.3 Interest on money market transactions		8.623	10.031
2.4 Interest on securities issued		-	-
2.5 Finance lease interest expenses		10.145	-
2.6 Other interest expenses	IV-1	290.787	410.348
<b>III. NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>812.647</b>	<b>729.832</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>32.962</b>	<b>32.164</b>
4.1 Fees and commissions received		50.455	50.170
4.1.1 Non-cash loans		26.873	23.369
4.1.2 Other	IV-1	23.582	26.801
4.2 Fees and commissions paid (-)		17.493	18.006
4.2.1 Non-cash loans (-)		161	296
4.2.2 Other (-)	IV-1	17.332	17.710
<b>V. DIVIDEND INCOME</b>	<b>IV-c</b>	<b>2.769</b>	<b>700</b>
<b>VI. TRADING PROFIT/LOSS (Net)</b>	<b>IV-d</b>	<b>40.440</b>	<b>71.823</b>
6.1 Profit/losses from capital market transactions		15.889	2.446
6.2 Profit/losses from derivative financial transactions		26.728	(2.413)
6.3 Foreign exchange profit/losses		(2.177)	71.790
<b>VII. OTHER OPERATING INCOME</b>	<b>IV-e</b>	<b>55.554</b>	<b>37.227</b>
<b>VIII. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)</b>		<b>944.372</b>	<b>871.746</b>
<b>IX. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)</b>	<b>IV-f</b>	<b>305.589</b>	<b>259.205</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>	<b>IV-f</b>	<b>2.067</b>	<b>356</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>212.543</b>	<b>193.265</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>IV-g</b>	<b>249.925</b>	<b>209.856</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>174.248</b>	<b>209.064</b>
<b>XIV. SURPLUS WRITTEN AS GAIN AFTER MERGER</b>			
<b>XV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>			
<b>XVI. NET MONETARY POSITION GAIN/LOSS</b>			
<b>XVII. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)</b>	<b>IV-h</b>	<b>174.248</b>	<b>209.064</b>
<b>XVIII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>IV-i</b>	<b>(35.694)</b>	<b>(47.305)</b>
18.1 Current tax provision		59.129	10.389
18.2 Expense effect of deferred tax (+)		89.188	147.673
18.3 Income effect of deferred tax (-)		112.623	110.757
<b>XIX. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)</b>	<b>IV-j</b>	<b>138.554</b>	<b>161.759</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>			
20.1 Income from assets held for sale			
20.2 Profit from sale of associates, subsidiaries and joint ventures			
20.3 Other income from discontinued operations			
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>			
21.1 Expenses on assets held for sale			
21.2 Losses from sale of associates, subsidiaries and joint ventures			
21.3 Other expenses from discontinued operations			
<b>XXII. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XX-XXI)</b>			
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>			
23.1 Current tax provision			
23.2 Expense effect of deferred tax (+)			
23.3 Income effect of deferred tax (-)			
<b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>			
<b>XXV. NET PROFIT/LOSS (XIX+XXIV)</b>	<b>IV-k</b>	<b>138.554</b>	<b>161.759</b>
25.1 Group's Profit / Loss		138.554	161.759
25.2 Minority Shares' Profit / Loss (-)			
Profit / (Loss) per share (1.000 nominal in TL full)		0,903	1,173

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 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

<b>IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		<b>Audited 31/12/2019</b>	<b>Audited 31/12/2018</b>
<b>I.</b>	<b>CURRENT PERIOD INCOME/LOSS</b>	<b>138.554</b>	<b>161.759</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>(94.622)</b>	<b>27.785</b>
<b>2.1</b>	<b>Other comprehensive income not to be reclassified to profit or loss</b>	<b>(935)</b>	<b>1.618</b>
2.1.1	Revaluation Differences of Tangible Assets	1.240	1.724
2.1.2	Revaluation Differences of Intangible Assets	-	-
2.1.3	Defined benefit plans re-measurement gains / loss	(2.646)	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	471	(212)
<b>2.2</b>	<b>Other comprehensive income to be reclassified to profit or loss</b>	<b>(93.687)</b>	<b>26.167</b>
2.2.1	Exchange differences on translation of foreign operations	79	3.965
2.2.2	Gains or losses on valuation or reclassification arising from financial assets at fair value through other comprehensive income	26.379	(24.049)
2.2.3	Gains or losses arising on cash flow hedges	(145.326)	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	Taxes relating to components of other comprehensive income that will be reclassified to profit or loss	25.181	(6.262)
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>43.932</b>	<b>189.544</b>

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 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2019**

(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			Profit Reserves	Prior Period Profit or Loss	Current Period Net Income or Loss	Total Shareholders' Equity Except From Minority Interest	Minority Interest	Total Shareholders' Equity
						1	2	3	4	5	6						
Audited CURRENT PERIOD 31/12/2019	Note (Section Five)	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves												
<b>I. Prior Period End Balance</b>	II-1	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
<b>II. Corrections according to TAS 8</b>																	
2.1 Effect of Corrections of Errors																	
2.2 Effect of Amendments in Accounting Policies																	
<b>III. New Balance (I+II)</b>		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
<b>IV. Total Comprehensive Income</b>						1.103	(2.038)		79	20.576	(113.354)		(988)	138.554	43.932		43.932
<b>V. Capital Increase in Cash</b>																	
<b>VI. Capital Increase in Internal Resources</b>																	
<b>VII. Adjustment to Share Capital</b>																	
<b>VIII. Convertible Bonds</b>																	
<b>IX. Subordinated Debt Instruments</b>																	
<b>X. Gain or Loss related to Other Changes</b>					(637)										(637)		(637)
<b>XI. Profit Distribution</b>												(13.572)	175.331	(161.759)			
11.1 Dividend Paid												(13.572)	175.331	(161.759)			
11.2 Transfers to Reserves																	
11.3 Other																	
<b>Period End Balance (III+IV+.....+X+XI)</b>		1.535.000			(736)	20.713	(5.096)		5.749	(2.396)	(32.138)	259.625		138.554	1.919.275		1.919.275

Describes;

- 1.Fixed assets revaluations increases/decreases,
- 2.Accumulated re-measurement 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 amount 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).

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 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			Profit Reserves	Prior Period Profit or Loss	Current Period Net Income or Loss	Total Shareholders' Equity Except From Minority Interest	Minority Interest	Total Shareholders' Equity
Audited PRIOR PERIOD 31/12/2018	Note (Section Five)	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6						
<b>I. Prior Period End Balance</b>	II-1	1.185.000	-	-	184	18.075	(3.141)	-	1.705	(4.214)	40.256	164.762	109.848	-	1.512.475	-	1.512.475
<b>II. Corrections according to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	(174.343)	-	(174.343)	-	(174.343)
2.1 Effect of Corrections of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Amendments in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	(174.343)	-	(174.343)	-	(174.343)
<b>III. New Balance (I+II)</b>		1.185.000	-	-	184	18.075	(3.141)	-	1.705	(4.214)	40.256	164.762	(64.495)	-	1.338.132	-	1.338.132
<b>IV. Total Comprehensive Income</b>		-	-	-	-	1.535	83	-	3.965	(18.758)	40.960	-	-	161.759	189.544	-	189.544
<b>V. Capital Increase in Cash</b>		348.304	-	-	-	-	-	-	-	-	-	-	-	-	348.304	-	348.304
<b>VI. Capital Increase in Internal Resources</b>		1.696	-	-	(1.696)	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Adjustment to Share Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Gain or Loss related to Other Changes</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>		-	-	-	1.413	-	-	-	-	-	-	108.435	(109.848)	-	-	-	-
11.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	1.413	-	-	-	-	-	-	108.435	(109.848)	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (III+IV+.....+X+XI)</b>		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 re-measurement gains / (losses) of defined benefits,
- 3.Other (the share of other comprehensive income of the investments accounted by the equity method that can not be classified as profit / (loss) and the accumulated amount of other comprehensive income 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 other comprehensive income to be reclassified as other profit or (loss))

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

**(CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)**

**BURGAN BANK A.Ş.**

**CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

<b>VI. STATEMENT OF CASH FLOWS</b>	<b>Note (Section Five)</b>	<b>Audited 31/12/2019</b>	<b>Audited 31/12/2018</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>194.900</b>	<b>(7.799)</b>
1.1.1 Interest Received		2.360.565	2.358.227
1.1.2 Interest Paid		(1.586.325)	(1.759.119)
1.1.3 Dividend Received		2.769	700
1.1.4 Fees and Commissions Received		30.452	39.073
1.1.5 Other Income		-	-
1.1.6 Collections from Previously Written-off Loans and Other Receivables		342.188	279.936
1.1.7 Payments to Personnel and Service Suppliers		(229.597)	(221.334)
1.1.8 Taxes Paid		(21.842)	(30.807)
1.1.9 Other		(703.310)	(674.475)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(615.730)</b>	<b>957.442</b>
1.2.1 Net Increase/(Decrease) in Financial Assets at Fair Value Through Profit or Loss		(24.643)	(7.087)
1.2.2 Net (Increase)/Decrease in Due from Banks and Other Financial Institutions		(623.431)	651.047
1.2.3 Net (Increase)/Decrease in Loans		506.051	(2.008.626)
1.2.4 Net (Increase)/Decrease in Other Assets		369.502	(92.522)
1.2.5 Net (Increase)/Decrease in Bank Deposits		113.746	1.222
1.2.6 Net Increase/(Decrease) in Other Deposits		1.375.974	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		(1.625.276)	1.207.502
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		(707.653)	193.849
<b>I. Net Cash Provided from Banking Operations</b>		<b>(420.830)</b>	<b>949.643</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>107.542</b>	<b>(100.565)</b>
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		(15.369)	(3.016)
2.4 Disposals of Property and Equipment		31.607	17.556
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(67.006)	(152.514)
2.6 Cash Obtained from Sale of Financial Assets at Fair Value Through Other Comprehensive Income		158.310	37.409
2.7 Cash Paid for Purchase of Investment Securities		-	-
2.8 Cash Obtained from Sale of Investment Securities		-	-
2.9 Other		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>-</b>	<b>348.304</b>
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		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>28.636</b>	<b>190.537</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>(284.652)</b>	<b>1.387.919</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>	<b>VI</b>	<b>2.650.063</b>	<b>1.262.144</b>
<b>VII. Cash and Cash Equivalents at end of the Period</b>	<b>VI</b>	<b>2.365.411</b>	<b>2.650.063</b>

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 STATEMENT OF PROFIT APPROPRIATION AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

VII. STATEMENT OF PROFIT APPROPRIATION	31/12/2019 (*)	31/12/2018 (**)
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	158.859	199.193
1.2 TAXES AND DUTIES PAYABLE (-)	20.305	37.434
1.2.1 Corporate Tax (Income tax)	50.761	-
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties (***)	(30.456)	37.434
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>138.554</b>	<b>161.759</b>
1.3 PRIOR YEAR LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]</b>	<b>-</b>	<b>161.759</b>
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	-	161.759
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
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 (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
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 (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
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 61.683 of net profit, represents net profit/loss of subsidiaries which the Bank applies equity accounting method under the principals of TAS 27 and such amount cannot be subject to profit distributions. Authorized body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

(\*\*) Contains “Profit Appropriation Statement” approved by the Bank’s General Assembly held on 29 March 2019, TL 33.668 includes the effects of TAS 27 standard.

(\*\*\*) It has been considered by the Banking Regulation and Supervision Agency that the income amounts related to deferred tax assets cannot be qualified as cash or internal resources, and therefore, the part of the period profit arising from the said assets should not be subject to profit distribution and capital increase. The deferred tax income that will not be subject to distribution is TL 30.456 (31 December 2018: Deferred Tax Expense TL 37.434).

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.**

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019**

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

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD**

**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, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) and related appendices and interpretations put into effect by the the Public Oversight Accounting and Auditing Standards Authority (POA). The format and the content of the publicly announced consolidated financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqué related to Publicly Announced Financial Statements of Banks and Explanations and Notes related to these Financial Statements” published in the Official Gazette No. 28337 dated 28 June 2012, and changes and amendments to this communiqué. The Parent Bank maintains 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 adjustments until 31 December 2004, except for financial assets, liabilities and buildings, which were carried at fair value.

The amounts in the consolidated financial statements and notes related to these financial statements have been 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**

“TFRS 16 Leases” standard came out on official gazette numbered 29826 on the date of 16 April 2018, to be implemented in the accounting periods after the date of 31 December 2018. According to this standard, the difference between operational lease and financial lease has disappeared and all leasing transactions are recognized by the tenants as an asset (tenure) and financial debt related to lease payment on the balance sheet.

The Group has started to apply this standard as of 1 January 2019, the mandatory application date.

Other than the accounting policies mentioned above, there are no other issues to be stated.

**BURGAN BANK A.Ş.**

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD (Continued):**

**I. BASIS OF PRESENTATION (Continued):**

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

Along with the Communiqué amending the Communiqué on a Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks in the Official Gazette dated 1 February 2019 and numbered 30673, the financial statements formats have been rearranged. Based on this amendment, the prior year financial statements have been restated in order to be comparable with the current period financial statements.

**Additional paragraph for convenience translation into English:**

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

**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 2019, foreign currency denominated balances are translated into TL using the exchange rates of TL 5,9400 and TL 6,6621 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.



**BURGAN BANK A.Ş.**

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD (Continued):**

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

Consolidated financial statements are prepared in accordance with the TFRS 10 “Turkish Accounting Standard for Consolidated Financial Statements”. 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 2019 and 31 December 2018.

**BURGAN BANK A.Ş.**

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD (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 TFRS 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 TFRS 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 2019, 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 TFRS 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 TFRS 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.

**BURGAN BANK A.Ş.**

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD (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. The commissions and fees other than those whose amortised costs are an integral part of their effective profit rate, are accounted over time in accordance with the TFRS 15 Revenue From Contracts With Customers Standard.

**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 TFRS 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.

During the year, valuation of the bonds indexed to the consumer price index (CPI) in the marketable securities at fair value through profit or loss portfolio are made according to the effective interest rate management based on real coupon rates and the treasury reference index.

**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.

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**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD (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.

Write-off policy is explained in, section V, the explanations and notes related to assets.

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**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD (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 Principals 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 TFRS 9. In this context, as of 1 January 2018, 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 TFRS 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 TFRS 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 FOR THE RELEVANT PERIOD (Continued):**

**VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued):**

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 not 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 FOR THE RELEVANT PERIOD (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 2019, the Group has no goodwill (31 December 2018: 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD (Continued):**

**XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS (Continued):**

**b. Other intangible assets (Continued):**

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.

**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 (“IFRS 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.



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**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD (Continued):**

**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 by taking their useful lives into consideration. If impairment is detected in the value of the leased asset, a “Provision for impairment” is recognized. Liabilities arising from 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 as a “Lessor” by means of Burgan Finansal Kiralama A.Ş. which is the consolidated subsidiary of the Group.

With the “IFRS 16 Leases” standard, which became effective as of 1 January 2019, the difference between operating lease and financial lease has been removed, and lease transactions have started to be recognized under “Tangible Fixed Assets” as an asset (right to use asset) and under “Lease Payables” as a liability. The impacts and applications related to the IFRS 16 transition process are explained in Section Three, footnote XXIX.

**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.

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**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD (Continued):**

**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 statement of profit or loss 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 Profit or Loss and Other Comprehensive Income" and presented in “Other Reserves” item in the Shareholders Equity section.

**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 2019 (2018: 22%). 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD (Continued):**

**XVIII. EXPLANATIONS ON TAXATION (Continued):**

**a. Current tax (Continued):**

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.

**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”.

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**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD (Continued):**

**XXII. EXPLANATIONS ON GOVERNMENT GRANTS:**

The Group’s, in accordance with the Law No. 5746 on Supporting Research and Development Activities, total incentive received from TÜBİTAK until the balance sheet date is TL 884 (31 December 2018: 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.

	<b>31 December 2019</b>	<b>31 December 2018</b>
Net Income/(Loss) to be Appropriated to Ordinary Shareholders	138.554	161.759
Weighted Average Number of Issued Ordinary Shares (Thousand)	153.500.000	137.845.277
<b>Earnings Per Ordinary Shares (Disclosed as 1.000 nominal in full TL)</b>	<b>0,903</b>	<b>1,173</b>

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.

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 V. of Section Five.

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**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD (Continued):**

**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 the 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 X. in Section Four.

**XXVIII. RECLASSIFICATIONS:**

Due to the legal modifications in the financial table formats, classification transactions have been made in the previous periods.

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**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD (Continued):**

**XXIX. EXPLANATIONS ON TFRS 16 LEASES STANDARD**

The Group has applied the changes in accounting policies due to the initial implementation of the "TFRS 16 Leases" standard, which is among the new standards, amendments and interpretations effective from 1 January 2019, in accordance with the transition obligations of the related standard.

**TFRS 16 "Leases" Standard**

**Group – lessee:**

At the beginning of a contract, the Group assesses whether the contract has the quality of a lease or whether the contract includes a lease transaction. In circumstances when the contract transfers the right of controlling the asset for a certain time period for a certain price, this contract carries the quality of a lease or includes a leasing transaction. The Group reflects the existence of a right of use and a lease liability to the financial statements at the effective date of the lease.

**Existence of right to use:**

The right to use asset is first recognized by the cost method and includes the following:

- a) The initial measurement amount of the lease obligation,
- b) The amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease;
- c) All initial direct costs incurred by the Group

When the group applies the cost method, the existence of the right to use:

- a) accumulated depreciation and accumulated impairment losses are deducted and
- b) measures the restatement of the lease obligation at the restated cost.

The Group applies the depreciation statutes included in the TAS 16 Tangible Assets standard while depreciating the right to use an asset.

**Lease Obligation:**

At the effective date of the lease, the Bank measures its leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the Group's average borrowing interest rates in the case of this rate being easily determined. Otherwise, the Group uses its alternative borrowing interest rates.

The lease payments included in the measurement of the lease liability consist of the payments to be made for the right of use during the lease term of the underlying asset and the unpaid payments at the effective date of the lease.

After the effective date of the lease, the Group measures the leasing liability as follows:

- a) Increases the book value to reflect the interest on the lease obligation,
- b) Reduces the book value to reflect the lease payments made and
- c) The book value is measured to reflect reassessments and restructuring, or to reflect fixed lease payments as of revised nature.

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

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

**EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD (Continued):**

**XXIX. EXPLANATIONS ON TFRS 16 LEASES STANDARD (Continued):**

**First Transition to TFRS 16 Leases Standard**

“TFRS 16 Leases” Standard was published in the Official Gazette No. 29826, dated 16 April 2018 to be applied in the accounting periods starting after 31 December 2018. The Group applied the TFRS 16 “Leases standard, which replaced the TAS 17 “Leasing Transactions”, as of 1 January 2019, the date of first implementation. These liabilities were measured based on the discounted current value by using the Group’s average borrowing interest rate of remaining lease payments on 1 January 2019.

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

	<b>1 January 2019</b>	<b>31 December 2019</b>
Real estate	125.891	129.927
Motor Vehicles	9.861	9.760
<b>Total asset tenure</b>	<b>135.752</b>	<b>139.687</b>

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

	<b>31 December 2019</b>
Real estate	22.634
Motor Vehicles	4.533
<b>Total asset tenure depreciation expense</b>	<b>27.167</b>

Short-term lease agreements with a duration of 12 months or less, have been evaluated within the scope of the exemptions granted by the standard, and the payments related to these agreements are continued to be reflected as expenses on the income statement. Within this scope, lease payments amounting to TL 2.579 has been paid in the relevant period.

	<b>1 January 2019</b>
Operational leasing commitments	162.261
Contracts that are excluded from the scope of TFRS 16 (-)	823
<b>Total Leasing Liability</b>	<b>161.438</b>
Discounted leasing liability (1 January 2019)	33.637
<b>Right to Use Amount</b>	<b>127.801</b>

As of 31 December 2019, net right to use asset in the consolidated financial statements amount to TL 112.519 and the lease liability is TL 118.968.

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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 2019 Bank’s total capital has been calculated as TL 3.622.102 (31 December 2018: TL 3.516.051), consolidated standard capital adequacy ratio is 18,95% (31 December 2018: 18,49%).

**a. Information about total capital:**

	Current Period 31 December 2019	Amounts related to treatment before 1/1/2014 (*)	Prior Period 31 December 2018	Amounts related to treatment before 1/1/2014 (*)
<b>COMMON EQUITY TIER I CAPITAL</b>				
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.535.000		1.535.000	
Share issue premiums	-		-	
Legal Reserves	258.889		273.098	
Gains recognized in equity as per TAS	140.761		258.894	
Profit	138.554		161.759	
Current Period Profit	138.554		161.759	
Prior Period Profit	-		-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-		-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>2.073.204</b>		<b>2.228.751</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>				
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-		-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	39.630		200.373	
Improvement costs for operating leasing	17.554		18.946	
Goodwill (net of related tax liability)	-		-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	39.115	39.115	44.755	44.755
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	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-		-	
Gains arising from securitization transactions	-		-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-		-	
Defined-benefit pension fund net assets	-		-	
Direct and indirect investments of the Bank in its own Common Equity	-		-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-		-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-		-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-		-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-		-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-		-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-		-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-		-	
Excess amount arising from mortgage servicing rights	-		-	
Excess amount arising from deferred tax assets based on temporary differences	-		-	
Other items to be defined by the BRSA	-		-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-		-	
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>96.299</b>		<b>345.290</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>1.976.905</b>		<b>1.883.461</b>	

(\*) In this section, the accounts that are liable to transition principles “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):**

	Current Period 31 December 2019	Amounts related to treatment before 1/1/2014 (*)	Prior Period 31 December 2018	Amounts related to treatment before 1/1/2014 (*)
<b>ADDITIONAL TIER I CAPITAL</b>				
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-	-	-
Debt instruments and premiums approved by BRSA	-	-	-	-
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-	-	-
<b>Deductions from Additional Tier I Capital</b>				
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-	-	-
Total of Net Long Positions of the Investments in Equity Items of 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	-	-	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>				
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-	-	-
<b>Total Deductions From Additional Tier I Capital</b>	-	-	-	-
<b>Total Additional Tier I Capital</b>	-	-	-	-
<b>Total Tier I Capital (Tier I Capital=Common Equity + Additional Tier I Capital)</b>	<b>1.976.905</b>		<b>1.883.461</b>	
<b>TIER II CAPITAL</b>				
Debt instruments and share issue premiums deemed suitable by the BRSA	1.425.600	-	-	-
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)	222.276	-	207.200	-
<b>Tier II Capital Before Deductions</b>	<b>1.647.876</b>		<b>1.633.070</b>	
<b>Deductions From Tier II Capital</b>				
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	2.679	-	480	-
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	-	-	-	-
<b>Total Deductions from Tier II Capital</b>	<b>2.679</b>		<b>480</b>	
<b>Total Tier II Capital</b>	<b>1.645.197</b>		<b>1.632.590</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>3.622.102</b>		<b>3.516.051</b>	
<b>Deductions from Total Capital</b>				
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-	-	-
Other items to be defined by the BRSA (-)	-	-	-	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>				
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not 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):**

	Current Period 31 December 2019	Amounts related to treatment before 1/1/2014 (*)	Prior Period 31 December 2018	Amounts related to treatment before 1/1/2014 (*)
<b>TOTAL CAPITAL</b>				
<b>Total Capital (Tier I and Tier II Capital)</b>	<b>3,622,102</b>		<b>3,516,051</b>	
Total risk weighted amounts	19,116,167		19,014,620	
<b>Capital Adequacy Ratios</b>				
Core Capital Adequacy Ratio (%)	10,34		9,91	
Tier 1 Capital Adequacy Ratio (%)	10,34		9,91	
Capital Adequacy Ratio (%)	18,95		18,49	
<b>BUFFERS</b>				
Total additional Tier I Capital requirement (a + b + c)	2,533		1,875	
a. Capital conservation buffer requirement (%)	2,500		1,875	
b. Bank specific counter-cyclical buffer requirement (%)	0,033		-	
c. Systematically important bank buffer ratio (%)	-		-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	5,84		5,40	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>				
Portion of the total of net long positions of investments in equity items of 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	168,007		187,759	
<b>Limits related to provisions considered in Tier II calculation</b>				
General provisions for standard based receivables (before ten thousand twenty-five limitation)	585,475		462,655	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	222,276		222,958	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>				
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-		-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-		-	

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**I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):**

**b. Information on instruments related to equity estimation:**

<b>Details on debt instruments that will be included in equity calculation:</b>		
Issuer – Loan grantor	Burgan Bank K.P.S.C.	Burgan Bank K.P.S.C.
Unique Identifier of the Debt Instrument	-	-
Governing Legislation of the Debt Instrument	BRSA	BRSA
Regulatory Treatment in Equity Calculation	Tier II Capital	Tier II Capital
Assessment whether it is subject to being taken into consideration as 10% decreased as of 1/1/2015	No	No
Validity status in a consolidated or unconsolidated basis or in a consolidated and unconsolidated basis	Unconsolidated – Consolidated	Unconsolidated - Consolidated
Instrument type	Subordinated Loan	Subordinated Loan
Amount recognized in equity calculation (As of most recent reporting date – Thousands TL)	534.600	891.000
Nominal value of debt instrument (USD)	150.000	150.000
The account number that the debt instrument is followed	Liability-Subordinated Loans-Amortized Cost	Liability-Subordinated Loans-Amortized Cost
Original date of issuance of the debt instrument	6.12.2013	30.03.2016
Maturity structure of the debt instrument (Perpetual/Dated)	Dated	Dated
Original maturity date of the debt instrument	10 Years	10 Years
Whether the issuer has a right to call subject to BRSA approval	Yes	Yes
Optional call date, contingent call options and redemption amount	After 5th year	After 5th year
Subsequent call dates of call options	After 5th year	After 5th year
Coupon/dividend payments	3 Months	3 Months
Fixed or floating dividend/coupon payments	Floating dividend	Floating dividend
Coupon rate and any related index value	LIBOR+3,75	LIBOR+3,75
Existence of a restriction which can stop dividend payments	-	-
Being fully discretionary, partially discretionary or mandatory	-	-
Existence of an interest rate increase or other incentive to call	-	-
Being noncumulative or cumulative	Noncumulative	Noncumulative
Being convertible or non-convertible to stock	None	None
If convertible to a stock, conversion trigger(s)	-	-
If convertible to a stock, fully or partially	-	-
If convertible to a stock, conversion rate	-	-
If convertible to a stock, mandatory or optional conversion	-	-
If convertible to a stock, specify instrument type convertible into	-	-
If convertible to a stock, issuer of debt instrument it converts into	-	-
Value reduction feature	None	None
If it has a value reduction feature, write-down trigger(s)	-	-
If it has a value reduction feature, full or partial	-	-
If it has a value reduction feature, permanent or temporary	-	-
If temporary value reduction exists, description of value increase mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to this instrument)	Before debt instruments to be included in Additional Tier I capital calculation but after the deposit holders and all other creditors of the Debtor.	Before debt instruments to be included in Additional Tier I capital calculation but after the deposit holders and all other creditors of the Debtor.
Whether it is in compliance with the terms in articles 7 and 8 of the Communiqué on Bank’s Equities	None.	None.
The terms it is not in compliance with in articles 7 and 8 of the Communiqué on Bank’s Equities	None.	None.

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**I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):**

**c. Information related to the TFRS 9 transition process:**

	<b>T</b>	<b>T-1</b>	<b>T-2</b>	<b>T-3</b>
<b>EQUITY ITEMS</b>				
Common Equity Tier 1 Capital	1.976.905	1.938.805	1.900.706	1.862.606
Common Equity Tier 1 Capital Without the Implementation of the Transition Process	1.862.606	1.862.606	1.862.606	1.862.606
Tier 1 Capital	1.976.905	1.938.805	1.900.706	1.862.606
Tier 1 Capital Without the Implementation of the Transition Process	1.862.606	1.862.606	1.862.606	1.862.606
Equity	3.736.401	3.698.301	3.660.202	3.622.102
Equity Without the Implementation of the Transition Process	3.622.102	3.622.102	3.622.102	3.622.102
<b>TOTAL RISK WEIGHTED AMOUNTS</b>				
Total Risk Weighted Amounts	19.116.167	19.116.167	19.116.167	19.116.167
<b>CAPITAL ADEQUACY RATIOS</b>				
Common Equity Tier 1 Capital Adequacy Ratio (%)	10,34	10,14	9,94	9,74
Common Equity Tier 1 Capital Adequacy Ratio Without the Implementation of the Transition Process	9,74	9,74	9,74	9,74
Tier 1 Capital Adequacy Ratio (%)	10,34	10,14	9,94	9,74
Tier 1 Capital Adequacy Ratio Without the Implementation of the Transition Process	9,74	9,74	9,74	9,74
Capital Adequacy Ratio (%)	19,55	19,35	19,15	18,95
Capital Adequacy Ratio Without the Implementation of the Transition Process	18,95	18,95	18,95	18,95
<b>LEVERAGE RATIO</b>				
Leverage Ratio Total Risk Amount	26.410.902	26.410.902	26.410.902	26.410.902
Leverage Ratio (%)	7,46	7,34	7,20	7,05
Leverage Ratio Without the Implementation of the Transition Process	7,02	7,02	7,02	7,02

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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP ON A CONSOLIDATED BASIS (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 classification of loans and provisions to be allocated for them. 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 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 THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP ON A CONSOLIDATED BASIS (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 specific provision is allocated for these loans within TFRS 9. The general provision is allocated within TFRS 9 for the loans which are classified as second stage under ‘Procedures and Principles regarding the regulation on classification of loans and provisions to be allocated for them’ and the loans that are overdue up to 90 days as of the end of the reporting date.

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:

<b>31 December 2019</b>		
<b>Risk Group</b>	<b>Amount</b>	<b>Average</b>
Claims on sovereigns and Central Banks	2.682.805	2.565.220
Claims on regional governments or local authorities	198.532	19.933
Claims on administrative bodies and other non-commercial undertakings	71	44
Claims on multilateral development banks	7.543	5.192
Claims on international organizations	-	-
Claims on banks and intermediary institutions	2.266.336	2.346.864
Claims on corporates	12.020.745	11.501.188
Claims included in the regulatory retail portfolios	552.483	624.242
Claims secured by residential property	6.194.259	6.468.426
Past due loans	865.857	743.031
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	1.111.395	841.497
<b>Total</b>	<b>25.900.026</b>	<b>25.115.637</b>

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

**BURGAN BANK A.Ş.**

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019**

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

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

**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):**

<b>31 December 2018</b>		
<b>Risk Group</b>	<b>Amount</b>	<b>Average</b>
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
<b>Total</b>	<b>25.062.492</b>	<b>24.863.648</b>

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 74%, 80% (31 December 2018: 76% and 84%) 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 53%, 77% (31 December 2018: 62% and 76%) within the total non-cash loans portfolio.

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

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

**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP ON A CONSOLIDATED BASIS (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 70%, 80% (31 December 2018: 74% and 83%) within cash loans in balance sheet and non-cash loans in off-balance sheet.

The Group’s allocated expected credit losses for loans amounts to TL 585.475 (31 December 2018: TL 462.655).

**a. Information on types of loans and specific provisions:**

<b>31 December 2019</b>	<b>Corporate</b>	<b>Consumer</b>	<b>Credit Cards</b>	<b>Leasing Receivables</b>	<b>Factoring Receivables</b>	<b>Total</b>
Standard Loans	9.700.289	509.940	-	2.000.557	7	<b>12.210.793</b>
Loans under close monitoring	2.667.754	38.826	-	696.946	-	<b>3.403.526</b>
Non-performing loans	918.292	28.554	298	245.628	-	<b>1.192.772</b>
Specific provision (-)	260.190	16.115	278	50.332	-	<b>326.915</b>
<b>Total</b>	<b>13.026.145</b>	<b>561.205</b>	<b>20</b>	<b>2.892.799</b>	<b>7</b>	<b>16.480.176</b>

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

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

<b>31 December 2019</b>	<b>Corporate</b>	<b>Consumer</b>	<b>Credit Cards</b>	<b>Leasing Receivables</b>	<b>Factoring Receivables</b>	<b>Total</b>
Past due 0-30 days	2.487.878	49.108	-	432.770	-	<b>2.969.756</b>
Past due 30-60 days	122.791	15.306	-	139.179	-	<b>277.276</b>
Past due 60-90 days	77.592	13.909	-	124.997	-	<b>216.498</b>
<b>Total</b>	<b>2.688.261</b>	<b>78.323</b>	<b>-</b>	<b>696.946</b>	<b>-</b>	<b>3.463.530</b>

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



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

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

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

**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):**

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

<b>31 December 2019</b>	<b>Financial Assets at Fair Value through P/L (Net)</b>	<b>Financial Assets at Fair Value through Other Comprehensive Income (Net)</b>	<b>Other Financial Assets Measured at Amortized Cost (Net)</b>	<b>Total</b>
<b>Moody’s Rating</b>				
B1 (*)	4.615	320.728	262.923	<b>588.266</b>
<b>Total</b>	<b>4.615</b>	<b>320.728</b>	<b>262.923</b>	<b>588.266</b>

<b>31 December 2018</b>	<b>Financial Assets at Fair Value through P/L (Net)</b>	<b>Financial Assets at Fair Value through Other Comprehensive Income (Net)</b>	<b>Other Financial Assets Measured at Amortized Cost (Net)</b>	<b>Total</b>
<b>Moody’s Rating</b>				
Ba3 (*)	12.055	383.693	236.801	<b>632.549</b>
<b>Total</b>	<b>12.055</b>	<b>383.693</b>	<b>236.801</b>	<b>632.549</b>

(\*) 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 corporate and commercial loans are 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.

	<b>31 December 2019</b>	<b>31 December 2018</b>
Above average (%)	25,58	20,88
Average (%)	56,42	58,27
Below average (%)	15,03	17,36
Not rated (%)	2,96	3,48

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

<b>31 December 2019</b>	<b>Corporate Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Leasing Receivables</b>	<b>Factoring Receivables</b>	<b>Total</b>
Loans under close monitoring	983.117	18.955	-	390.286	-	<b>1.392.358</b>
Non-performing loans	87.565	-	-	17.323	-	<b>104.888</b>
<b>Total</b>	<b>1.070.682</b>	<b>18.955</b>	<b>-</b>	<b>407.609</b>	<b>-</b>	<b>1.497.246</b>

<b>31 December 2018</b>	<b>Corporate Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Leasing Receivables</b>	<b>Factoring Receivables</b>	<b>Total</b>
Loans under close monitoring	783.879	16.205	-	265.310	-	<b>1.065.394</b>
Non-performing loans	350.571	1.175	111	35.594	-	<b>387.451</b>
<b>Total</b>	<b>1.134.450</b>	<b>17.380</b>	<b>111</b>	<b>300.904</b>	<b>-</b>	<b>1.452.845</b>

<b>Type of Collaterals</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Real-estate mortgage	1.002.730	940.517
Pledge	152.177	157.610
Cash and cash equivalents	342.339	354.718
<b>Total</b>	<b>1.497.246</b>	<b>1.452.845</b>

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

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

**(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
<b>31 December 2019</b>																		
Domestic	3.672.932	198.532	71	-	-	796.233	10.374.425	502.212	6.051.588	851.393	-	-	-	-	-	-	1.111.400	<b>23.558.786</b>
EU Countries	-	-	-	7.543	-	956.291	15	8	1	-	-	-	-	-	-	-	-	<b>963.858</b>
OECD Countries (**)	-	-	-	-	-	15.243	-	-	-	-	-	-	-	-	-	-	-	<b>15.243</b>
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>-</b>
USA, Canada	-	-	-	-	-	9.155	21.115	-	-	14.464	-	-	-	-	-	-	-	<b>44.734</b>
Other Countries	-	-	-	-	-	6.889	18	1	474	-	-	-	-	-	-	-	-	<b>7.382</b>
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>-</b>
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>Total</b>	<b>3.672.932</b>	<b>198.532</b>	<b>71</b>	<b>7.543</b>	<b>-</b>	<b>1.783.811</b>	<b>10.395.573</b>	<b>502.221</b>	<b>6.052.063</b>	<b>865.857</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.111.400</b>	<b>24.590.003</b>

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.

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

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**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019**

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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP ON A CONSOLIDATED BASIS (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
<b>31 December 2018</b>																		
Domestic	4.110.383	-	8	-	-	53.263	10.002.151	636.674	6.578.467	594.607	-	-	-	-	-	-	493.062	<b>22.468.615</b>
EU Countries	-	-	-	-	-	1.440.786	-	5	-	-	-	-	-	-	-	-	-	<b>1.440.791</b>
OECD Countries (**)	-	-	-	-	-	655	-	-	-	-	-	-	-	-	-	-	-	<b>655</b>
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>-</b>
USA, Canada	-	-	-	-	-	13.199	16.250	5	-	14.940	-	-	-	-	-	-	-	<b>44.394</b>
Other Countries	-	-	-	-	-	168.008	3.026	1	-	-	-	-	-	-	-	-	-	<b>171.035</b>
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>-</b>
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>Total</b>	<b>4.110.383</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>1.675.911</b>	<b>10.021.427</b>	<b>636.685</b>	<b>6.578.467</b>	<b>609.547</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>493.062</b>	<b>24.125.490</b>

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 THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP ON A CONSOLIDATED BASIS

(Continued):

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

g. Risk profile according to sectors and counterparties:

31 December 2019	Exposure Categories (*)																	TL	FC	Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17				
<b>Agriculture</b>	-	-	-	-	-	-	71.573	2.725	16.822	1.167	-	-	-	-	-	-	-	29.714	62.573	92.287	
Farming and Stockbreeding	-	-	-	-	-	-	64.971	2.725	15.235	1.164	-	-	-	-	-	-	-	24.520	59.575	84.095	
Forestry	-	-	-	-	-	-	280	-	156	1	-	-	-	-	-	-	-	437	-	437	
Fishery	-	-	-	-	-	-	6.322	-	1.431	2	-	-	-	-	-	-	-	4.757	2.998	7.755	
<b>Manufacturing</b>	-	-	-	-	-	-	5.042.003	44.603	1.321.324	265.417	-	-	-	-	-	-	-	981.020	5.692.327	6.673.347	
Mining and Quarrying	-	-	-	-	-	-	246.199	1.857	645.819	3.198	-	-	-	-	-	-	-	69.410	827.663	897.073	
Production	-	-	-	-	-	-	3.410.076	42.446	653.431	258.604	-	-	-	-	-	-	-	848.615	3.515.942	4.364.557	
Electricity, Gas and Water	-	-	-	-	-	-	1.385.728	300	22.074	3.615	-	-	-	-	-	-	-	62.995	1.348.722	1.411.717	
<b>Construction</b>	-	-	-	-	-	-	2.220.236	6.791	2.323.441	273.812	-	-	-	-	-	-	-	1.245.467	3.578.813	4.824.280	
<b>Services</b>	-	-	-	7.543	-	1.783.811	2.894.915	20.838	2.265.549	185.068	-	-	-	-	-	-	-	2.044.325	5.113.399	7.157.724	
Wholesale and Retail Trade	-	-	-	-	-	-	1.315.510	13.065	192.644	72.867	-	-	-	-	-	-	-	572.851	1.021.235	1.594.086	
Hotel, Food and Beverage services	-	-	-	-	-	-	522.865	1.883	1.280.654	29.987	-	-	-	-	-	-	-	82.483	1.752.906	1.835.389	
Transportation and Telecom	-	-	-	-	-	-	444.495	2.085	461.525	52.282	-	-	-	-	-	-	-	295.580	664.807	960.387	
Financial Institutions	-	-	-	7.543	-	1.783.811	284.991	197	66.197	137	-	-	-	-	-	-	-	936.063	1.206.813	2.142.876	
Real Estate and Rental Services	-	-	-	-	-	-	225.432	2.234	248.976	24.030	-	-	-	-	-	-	-	84.840	415.832	500.672	
Self-employment Services	-	-	-	-	-	-	24.530	40	2.441	148	-	-	-	-	-	-	-	14.943	12.216	27.159	
Educational Services	-	-	-	-	-	-	10.841	90	3.319	3.374	-	-	-	-	-	-	-	16.322	1.302	17.624	
Health and Social Services	-	-	-	-	-	-	66.251	1.244	9.793	2.243	-	-	-	-	-	-	-	41.243	38.288	79.531	
<b>Other</b>	3.672.932	198.532	71	-	-	-	166.846	427.264	124.927	140.393	-	-	-	-	-	-	-	1.111.400	3.058.225	2.784.140	5.842.365
<b>Total</b>	3.672.932	198.532	71	7.543	-	1.783.811	10.395.573	502.221	6.052.063	865.857	-	-	-	-	-	-	-	1.111.400	7.358.751	17.231.252	24.590.003

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

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

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				
<b>Agriculture</b>	-	-	-	-	-	-	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	
<b>Manufacturing</b>	-	-	-	-	-	-	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	
<b>Construction</b>	-	-	-	-	-	-	2.325.099	18.831	2.552.327	164.340	-	-	-	-	-	-	-	1.606.668	3.453.930	5.060.598	
<b>Services</b>	-	-	-	-	-	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	
<b>Other</b>	4.110.383	-	8	-	-	-	128.615	520.460	157.978	118.733	-	-	-	-	-	-	-	493.064	3.354.813	2.174.426	5.529.239
<b>Total</b>	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
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 2019	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	500.812	79.808	23.477	17.191	1.046.975
Claims on regional governments or local authorities	-	-	-	-	198.532
Claims on administrative bodies and other non-commercial undertakings	71	-	-	-	-
Claims on multilateral development banks	-	-	-	-	7.543
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	718.170	320.595	104.914	130.678	483.825
Claims on corporates	1.334.992	710.315	893.265	1.480.497	5.959.563
Claims included in the regulatory retail portfolios	22.436	7.641	22.200	68.317	381.626
Claims secured by residential property	83.385	100.401	170.807	531.405	5.166.065
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	-	-	-	-	225.458
<b>Total</b>	<b>2.659.866</b>	<b>1.218.760</b>	<b>1.214.663</b>	<b>2.228.088</b>	<b>13.469.587</b>

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	-	-	-	-	-
<b>Total</b>	<b>3.314.470</b>	<b>1.279.049</b>	<b>1.319.571</b>	<b>1.961.230</b>	<b>13.004.158</b>

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**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. Fitch Ratings are not taken into consideration for other risk classes.

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:**

<b>31 December 2019</b>								
<b>Risk Weights</b>	<b>0%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Deductions from Equity</b>
<b>1.Exposures before Credit Risk Mitigation</b>	2.410.094	1.129.853	647.394	4.816.198	510.166	14.918.167	158.128	2.679
<b>2. Exposures after Credit Risks Mitigation (*)</b>	3.013.190	1.739.218	619.913	4.089.345	489.238	14.562.658	76.441	2.679

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

<b>31 December 2018</b>								
<b>Risk Weights</b>	<b>0%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Deductions from Equity</b>
<b>1.Exposures before Credit Risk Mitigation</b>	2.246.281	755.199	888.813	4.538.618	676.011	14.732.974	287.592	480
<b>2. Exposures after Credit Risks Mitigation (*)</b>	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.

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**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):**

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

31 December 2019	Loans		Provisions	
	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Expected Credit Loss Provision (Regulation of Provision-Stage 2)	Expected Credit Loss Provision (Regulation of Provision-Stage 3)
<b>Major Sectors / Counterparties</b>				
<b>Agriculture</b>	<b>9.828</b>	<b>1.777</b>	<b>13</b>	<b>610</b>
Farming and Stockbreeding	9.548	1.768	11	604
Forestry	280	4	2	3
Fishery	-	5	-	3
<b>Manufacturing</b>	<b>602.236</b>	<b>383.873</b>	<b>104.174</b>	<b>118.456</b>
Mining and Quarrying	34.034	5.697	665	2.499
Production	567.973	374.244	103.509	115.640
Electricity, Gas and Water	229	3.932	-	317
<b>Construction</b>	<b>632.679</b>	<b>338.110</b>	<b>27.414</b>	<b>64.298</b>
<b>Services</b>	<b>1.802.915</b>	<b>290.456</b>	<b>293.423</b>	<b>105.388</b>
Wholesale and Retail Trade	506.784	123.642	78.637	50.775
Accommodation and Dining	834.486	38.653	166.412	8.666
Transportation and Telecom	83.537	75.810	302	23.528
Financial Institutions	1.231	423	-	286
Real Estate and Rental Services	347.935	44.646	46.163	20.616
Professional Services	-	154	-	6
Educational Services	11.512	4.499	11	1.125
Health and Social Services	17.430	2.629	1.898	386
<b>Other</b>	<b>415.872</b>	<b>178.556</b>	<b>87.955</b>	<b>38.163</b>
<b>Total</b>	<b>3.463.530</b>	<b>1.192.772</b>	<b>512.979</b>	<b>326.915</b>



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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 2018	Loans		Provisions	
	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Expected Credit Loss Provision (Regulation of Provision-Stage 2)	Expected Credit Loss Provision (Regulation of Provision-Stage 3)
<b>Major Sectors / Counterparties</b>				
<b>Agriculture</b>	<b>3.686</b>	<b>10.115</b>	<b>48</b>	<b>7.409</b>
Farming and Stockbreeding	3.293	9.549	48	6.845
Forestry	-	539	-	539
Fishery	393	27	-	25
<b>Manufacturing</b>	<b>432.115</b>	<b>211.241</b>	<b>98.583</b>	<b>88.552</b>
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
<b>Construction</b>	<b>369.189</b>	<b>206.081</b>	<b>14.816</b>	<b>41.741</b>
<b>Services</b>	<b>1.174.607</b>	<b>304.838</b>	<b>111.895</b>	<b>103.759</b>
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
<b>Other</b>	<b>409.721</b>	<b>138.723</b>	<b>95.724</b>	<b>19.990</b>
<b>Total</b>	<b>2.389.318</b>	<b>870.998</b>	<b>321.066</b>	<b>261.451</b>

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**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):**

**1. Information about Value Adjustment and Change in Provisions:**

<b>31 December 2019</b>	<b>Opening Balance</b>	<b>Provision for Period</b>	<b>Write off from Asset (*)</b>	<b>Other Adjustments (**)</b>	<b>Closing Balance</b>
<b>1. Specific Provisions (***)</b>	269.964	263.776	(59.706)	(138.808)	335.226
<b>2. General Provisions</b>	462.655	124.283	(22.764)	21.301	585.475
<b>Total</b>	<b>732.619</b>	<b>388.059</b>	<b>(82.470)</b>	<b>(117.507)</b>	<b>920.701</b>

(\*) Includes special provisions for receivables that the Bank has written off from its assets by selling to an asset management company on March 29, 2019.

(\*\*) The Other Adjustments column includes exchange rate differences of specific and general provisions in foreign currencies and written-off loans amount to TL 106.335.

(\*\*\*) Includes specific provisions allocated for uncompensated non-cash loans which the Bank has classified as non-performing loans.

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

(\*) 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.

**m. Risks Included in Cyclical Capital Buffer Calculation:**

None.

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

**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 and medium and long term plans including medium and long term growth objectives and makes an annual revision through reviewing. The Group reviews its business strategy and plans 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 operating under Credit and Market Risk 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. The department is also responsible for monitoring the results of internal rating systems and TFRS 9 models, conducting validation and calibration works.

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 score card and decision tree are 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 and calibrations of rating models are carried out / coordinated by Credit Risk and Modelling Department. The Group has information systems enabling reporting according to sector, segment, branch, currency, 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 the results are 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 registers operational risk situations in the operational risk database and performs risk control 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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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP ON A CONSOLIDATED BASIS (Continued):**

**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, increase in overdue receivables and decrease in the value of real estate. 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, volatility 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 related 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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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP ON A CONSOLIDATED BASIS (Continued):**

**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 2019:

- 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 2019	31 December 2018	31 December 2019
1	Credit risk (excluding counterparty credit risk) (CCR)	17.246.856	17.180.635	1.379.748
2	Standardised approach (SA)	17.246.856	17.180.635	1.379.748
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	535.184	655.978	42.815
5	Standardised approach for counterparty credit risk (SA-CCR)	535.184	655.978	42.815
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	111.282	212.519	8.903
17	Standardised approach (SA)	111.282	212.519	8.903
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	1.222.845	965.488	97.828
20	Basic indicator approach	1.222.845	965.488	97.828
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	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>19.116.167</b>	<b>19.014.620</b>	<b>1.529.294</b>

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

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 2019	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
<b>Assets</b>							
Cash and balances with the Central Bank (net)	2.162.662	2.162.662	2.162.662	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss (net)	233.443	233.443	-	197.151	-	159.253	2.679
Financial Assets at Fair Value Through Profit or Loss (net)	-	-	-	-	-	-	-
Banks (net)	574.644	574.644	574.705	-	-	-	-
Money Market Placements (net)	557.969	557.969	-	557.969	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income (net)	336.325	336.325	336.325	1.730	-	-	-
Loans and Receivables (net)	12.968.173	12.968.173	13.552.869	-	-	-	-
Factoring Receivables (net)	7	7	7	-	-	-	-
Other Financial Assets measured at Amortized Cost (net)	262.923	262.923	262.923	247.227	-	-	-
Investment in Associates (net)	-	-	-	-	-	-	-
Investment in Subsidiaries (net)	-	-	-	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-	-	-
Lease Receivables	2.943.131	2.943.131	2.943.131	-	-	-	-
Derivative Financial Assets Held For Hedging (net)	437.122	437.122	-	437.122	-	-	-
Property And Equipment (net)	259.666	259.666	242.112	-	-	-	17.554
Intangible Assets (net)	38.824	38.824	-	-	-	-	38.824
Investment Property (net)	-	-	-	-	-	-	-
Tax Asset	79.698	79.698	79.698	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (net)	409.415	409.415	409.415	-	-	-	-
Other Assets	282.806	282.806	283.512	-	-	-	-
<b>Total assets</b>	<b>21.546.808</b>	<b>21.546.808</b>	<b>20.847.359</b>	<b>1.441.199</b>	<b>-</b>	<b>159.253</b>	<b>59.057</b>
<b>Liabilities</b>							
Deposits	11.405.865	11.405.865	-	-	-	-	11.405.865
Derivative Financial Liabilities Held for Trading	146.581	146.581	-	143.244	-	93.598	3.337
Funds Borrowed	5.050.130	5.050.130	-	-	-	-	5.050.130
Money Markets	211.514	211.514	-	193.941	-	-	17.573
Marketable Securities Issued	-	-	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	575.877	575.877	-	-	-	-	575.877
Other Liabilities	112.161	112.161	-	-	-	-	112.161
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	118.202	118.202	-	-	-	-	118.202
Derivative Financial Liabilities Held For Hedging	77.913	77.913	-	-	-	-	77.913
Provisions	91.051	91.051	-	-	-	-	91.051
Tax Liability	40.314	40.314	-	-	-	-	40.314
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	1.797.925	1.797.925	-	-	-	-	1.797.925
Shareholder’s Equity	1.919.275	1.919.275	-	-	-	-	1.919.275
<b>Total Liabilities</b>	<b>21.546.808</b>	<b>21.546.808</b>	<b>-</b>	<b>337.185</b>	<b>-</b>	<b>93.598</b>	<b>21.209.623</b>

(\*) On the table above, amounts of allocated TFRS 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):

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 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	
<b>Assets</b>							
Cash and balances with the Central Bank (net)	2.746.416	2.746.416	2.746.416	-	-	-	480
Financial Assets at Fair Value Through Profit or Loss (net)	494.002	494.002	-	481.231	-	238.645	-
Financial Assets at Fair Value Through Profit or Loss (net)	-	-	-	-	-	-	-
Banks (net)	196.243	196.243	196.608	-	-	-	-
Money Market Placements (net)	9.000	9.000	9.000	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income (net)	393.064	393.064	393.149	-	-	-	-
Loans and Receivables (net)	14.174.683	14.174.683	14.652.562	-	-	-	-
Factoring Receivables (net)	7	7	7	-	-	-	-
Other Financial Assets measured at Amortized Cost (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 (net)	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	-	-	-	-
<b>Total assets</b>	<b>22.028.865</b>	<b>22.028.865</b>	<b>21.255.873</b>	<b>1.368.866</b>	-	<b>238.645</b>	<b>64.429</b>
<b>Liabilities</b>							
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
<b>Total Liabilities</b>	<b>22.028.865</b>	<b>22.028.865</b>	-	<b>419.692</b>	-	<b>145.908</b>	<b>21.609.173</b>

(\*) On the table above, amounts of allocated TFRS 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):**

**2. Main sources of differences between Amounts valued in accordance with TAS and Risk Exposures**

	<b>31 December 2019</b>	<b>Total</b>	<b>Subject To Credit Risk</b>	<b>Subject to the Securitisation</b>	<b>Subject To Counterparty Credit Risk</b>	<b>Subject To Market Risk</b>
1	Asset carrying value amount under scope of regulatory consolidation	<b>22.447.811</b>	20.847.359	-	1.441.199	159.253
2	Liabilities carrying value amount under regulatory scope of consolidation	<b>(430.783)</b>	-	-	(337.185)	(93.598)
3	Total net amount under regulatory scope of consolidation	<b>22.017.028</b>	20.847.359	-	1.104.014	65.655
4	Off-Balance Sheet Amounts	<b>3.610.088</b>	3.610.088	-	-	-
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	<b>(925.831)</b>	(1.287.646)	-	316.188	45.627
9	Differences due to credit risk reduction	-	-	-	-	-
10	Risk Amounts	<b>24.701.285</b>	<b>23.169.801</b>	-	<b>1.420.202</b>	<b>111.282</b>

	<b>31 December 2018</b>	<b>Total</b>	<b>Subject To Credit Risk</b>	<b>Subject to the Securitisation</b>	<b>Subject To Counterparty Credit Risk</b>	<b>Subject To Market Risk</b>
1	Asset carrying value amount under scope of regulatory consolidation	<b>22.863.384</b>	21.255.873	-	1.368.866	238.645
2	Liabilities carrying value amount under regulatory scope of consolidation	<b>(565.600)</b>	-	-	(419.692)	(145.908)
3	Total net amount under regulatory scope of consolidation	<b>22.297.784</b>	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	<b>2.040.225</b>	1.521.527	-	398.916	119.782
9	Differences due to credit risk reduction	-	-	-	-	-
10	Risk Amounts	<b>24.338.009</b>	<b>22.777.400</b>	-	<b>1.348.090</b>	<b>212.519</b>

**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 at fair value through profit or loss and financial assets at fair value through other comprehensive income 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 methodologically 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.
- To monitor the performance of TFRS 9 models, to perform and/or to coordinate model revision, validation and calibration works.

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

**III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):**

**2. Credit quality of assets**

31 December 2019		Gross carrying values of as per TAS		Allowances/ impairments	Net values
Current Period	Defaulted exposures	Non-defaulted exposures			
1	Loans	1.192.772	15.614.319	896.547	15.910.544
2	Debt Securities	-	619.943	13	619.930
3	Off-balance sheet exposures	27.624	3.622.501	24.141	3.625.984
4	<b>Total</b>	<b>1.220.396</b>	<b>19.856.763</b>	<b>920.701</b>	<b>20.156.458</b>

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	<b>Total</b>	<b>896.305</b>	<b>16.952.893</b>	<b>732.619</b>	<b>17.116.579</b>

**3. Changes in stock of defaulted loans and debt securities**

31 December 2019		
1	Defaulted loans and debt securities at the end of the previous reporting period	896.305
2	Loans and debt securities that have defaulted since the last reporting period	730.441
3	Returned to non-defaulted status	-
4	Amounts written off	(160.390)
5	Other changes	(245.960)
6	<b>Defaulted loans and debt securities at the end of the reporting period (1+2-3-4+5)</b>	<b>1.220.396</b>

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	<b>Defaulted loans and debt securities at the end of the reporting period (1+2-3-4+5)</b>	<b>896.305</b>

**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 whole overdue receivables are subject to the calculation of provision.

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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 TFRS 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 TFRS 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, leasing receivables and non-performing loans):

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>1</b> Domestic	19.265.884	18.933.313
<b>2</b> European Union Countries	87.309	149.214
<b>3</b> OECD Countries (*)	14.777	-
<b>4</b> Off-shore Banking Regions	-	-
<b>5</b> USA, Canada	21.389	22.737
<b>6</b> Other Countries	1.199	3.904
<b>7</b> Associates, Subsidiaries and Jointly Controlled Entities	-	-
<b>8</b> Unallocated Assets / Liabilities	-	-
<b>9</b> Total	<b>19.390.558</b>	<b>19.109.168</b>

(\*) 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 non-performing loans):

	31 December 2019	31 December 2018
<b>1 Agriculture</b>	<b>104.675</b>	<b>37.841</b>
2 Farming and Stockbreeding	96.572	35.281
3 Forestry	437	233
4 Fishery	7.666	2.327
<b>5 Manufacturing</b>	<b>7.060.206</b>	<b>5.686.796</b>
6 Mining and Quarrying	956.582	976.443
7 Production	4.670.088	3.604.840
8 Electricity, Gas and Water	1.433.536	1.105.513
<b>9 Construction</b>	<b>4.923.232</b>	<b>5.139.126</b>
<b>10 Services</b>	<b>5.715.751</b>	<b>6.212.277</b>
11 Wholesale and Retail Trade	1.577.597	2.157.731
12 Accommodation and Dining	1.726.163	1.622.105
13 Transportation and Telecom	936.742	617.194
14 Financial Institutions	782.403	1.091.939
15 Real Estate and Rental Services	549.003	587.169
16 Professional Services	46.508	6.992
17 Educational Services	18.622	31.000
18 Health and Social Services	78.713	98.147
19 Other	<b>1.586.694</b>	<b>2.033.128</b>
<b>20 Total</b>	<b>19.390.558</b>	<b>19.109.168</b>

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

	1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributable	Total
<b>31 December 2019</b>							
<b>Cash and Non-cash loans</b>	3.925.098	2.516.711	3.559.457	6.412.952	2.110.483	865.857	<b>19.390.558</b>
<b>31 December 2018</b>							
<b>Cash and Non-cash loans</b>	3.704.209	2.004.112	4.169.831	6.715.845	1.905.624	609.547	<b>19.109.168</b>

**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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III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

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

		31 December 2019		31 December 2018	
		Non Performing Loans	Special Provisions	Non Performing Loans	Special Provisions
<b>1</b>	<b>Agriculture</b>	<b>1.777</b>	<b>610</b>	<b>10.115</b>	<b>7.409</b>
2	Farming and Stockbreeding	1.768	604	9.549	6.845
3	Forestry	4	3	539	539
4	Fishery	5	3	27	25
<b>5</b>	<b>Manufacturing</b>	<b>383.873</b>	<b>118.456</b>	<b>211.241</b>	<b>88.552</b>
6	Mining and Quarrying	5.697	2.499	8.699	4.637
7	Production	374.244	115.640	202.538	83.911
8	Electricity, Gas and Water	3.932	317	4	4
<b>9</b>	<b>Construction</b>	<b>338.110</b>	<b>64.298</b>	<b>206.081</b>	<b>41.741</b>
<b>10</b>	<b>Services</b>	<b>290.456</b>	<b>105.388</b>	<b>304.838</b>	<b>103.759</b>
11	Wholesale and Retail Trade	123.642	50.775	105.179	45.255
12	Accommodation and Dining	38.653	8.666	28.643	4.868
13	Transportation and Telecom	75.810	23.528	105.324	31.807
14	Financial Institutions	423	286	1.501	279
15	Real Estate and Rental Services	44.646	20.616	57.860	19.908
16	Professional Services	154	6	395	264
17	Educational Services	4.499	1.125	4.931	1.127
18	Health and Social Services	2.629	386	1.005	251
<b>19</b>	<b>Other</b>	<b>178.556</b>	<b>38.163</b>	<b>138.723</b>	<b>19.990</b>
<b>20</b>	<b>Total</b>	<b>1.192.772</b>	<b>326.915</b>	<b>870.998</b>	<b>261.451</b>

Provision amounts and sectoral breakdowns of non-performing loans written-off from assets and accounts are as follows:

	Written-off from accounts	Written-off from assets
<b>Agriculture</b>	<b>5.579</b>	<b>3.254</b>
Farming and Stockbreeding	5.460	2.736
Forestry	97	518
Fishery	22	-
<b>Manufacturing</b>	<b>36.457</b>	<b>43.176</b>
Mining and Quarrying	3.219	567
Production	32.994	42.609
Electricity, Gas and Water	244	-
<b>Construction</b>	<b>21.214</b>	<b>4.033</b>
<b>Services</b>	<b>25.987</b>	<b>9.198</b>
Wholesale and Retail Trade	7.575	8.420
Accommodation and Dining	1.793	275
Transportation and Telecom	15.241	364
Financial Institutions	-	2
Real Estate and Rental Services	9	137
Professional Services	-	-
Educational Services	3	-
Health and Social Services	1.366	-
Other	<b>17.118</b>	<b>45</b>
<b>Total</b>	<b>106.355</b>	<b>59.706</b>

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**III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):**

**vii. Aging analysis for overdue receivables.**

Aging analysis for overdue receivables are included in Section IV Part 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 TFRS 9 and the Communiqué Related to Principles and Procedures on Classification of Loans and the Provisions to be allocated for These Loans” (“Provisioning Regulation”) and there is no situation in which no provision is made.

**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 Communiqué on Measurement and Evaluation of Bank’s Capital Adequacy and its annexes and Communiqué on Risk Mitigation Techniques.

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**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
	<b>31 December 2019</b>							
1	Loans	9.556.223	6.354.321	4.378.458	145.990	145.990	-	-
2	Debt Securities	619.930	-	-	-	-	-	-
3	<b>Total</b>	<b>10.176.153</b>	<b>6.354.321</b>	<b>4.378.458</b>	<b>145.990</b>	<b>145.990</b>	-	-
4	Of which defaulted	885.170	165.110	93.403	-	-	-	-

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

**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 for receivable classifications set out 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 CONSOLIDATED RISK MANAGEMENT (Continued):**

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

31 December 2019		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	2.682.805	-	3.263.045	-	695.196	21,3%
2	Exposures to regional governments or local authorities	198.532	-	198.532	-	39.706	20,0%
3	Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	7.543	-	7.543	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	789.738	138.627	860.181	123.787	432.680	44,0%
7	Exposures to corporates	8.601.609	3.337.577	8.211.153	2.106.096	10.016.291	97,1%
8	Retail exposures	441.198	62.793	481.168	20.446	367.407	73,2%
9	Exposures secured by residential property	638.755	21.307	613.722	8.480	216.970	34,9%
10	Exposures secured by commercial real estate	5.491.957	42.241	5.403.273	25.398	3.752.099	69,1%
11	Past-due loans	865.857	-	735.577	-	757.508	103,0%
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	1.136.908	-	1.111.400	-	968.999	87,2%
17	Equity Investment	-	-	-	-	-	-
18	<b>Total</b>	<b>20.847.359</b>	<b>3.610.088</b>	<b>20.878.051</b>	<b>2.291.750</b>	<b>17.246.856</b>	<b>74,4%</b>

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	<b>Total</b>	<b>21.255.873</b>	<b>2.458.627</b>	<b>21.264.289</b>	<b>1.513.111</b>	<b>17.180.635</b>	<b>75,4%</b>

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**III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):**

**3. Exposures by asset classes and risk weights**

31 December 2019											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	2.567.848	-	-	-	-	-	695.197	-	-	3.263.045
2	Exposures to regional governments or local authorities	-	-	198.532	-	-	-	-	-	-	198.532
3	Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	7.543	-	-	-	-	-	-	-	-	7.543
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	550.290	-	222.112	-	211.566	-	-	983.968
7	Exposures to corporates	89.248	-	162.488	-	163.433	-	9.902.080	-	-	10.317.249
8	Retail exposures	8.318	-	4.663	-	-	488.633	-	-	-	501.614
9	Exposures secured by residential property	2.289	-	-	619.913	-	-	-	-	-	622.202
10	Exposures secured by commercial real estate	1.606	-	1.618	-	3.347.348	-	2.078.099	-	-	5.428.671
11	Past-due loans	1	-	-	-	32.578	-	626.557	76.441	-	735.577
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	142.396	-	-	-	-	-	969.004	-	-	1.111.400
18	<b>Total</b>	<b>2.819.249</b>	<b>-</b>	<b>917.591</b>	<b>619.913</b>	<b>3.765.471</b>	<b>488.633</b>	<b>14.482.503</b>	<b>76.441</b>	<b>-</b>	<b>23.169.801</b>

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

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

**III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):**

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

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	<b>Total</b>	<b>2.891.901</b>	<b>-</b>	<b>322.466</b>	<b>844.584</b>	<b>3.667.173</b>	<b>616.119</b>	<b>14.255.744</b>	<b>179.413</b>	<b>-</b>	<b>22.777.400</b>

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

**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 Communique 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. With monthly meetings, the business lines, Treasury, Credit Allocation, Monitoring and Risk Management teams evaluate the stress test results.

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

**III. EXPLANATIONS ON CONSOLIDATED 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 due to the future transactions carried out by the Bank in Takasbank market and 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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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP ON A CONSOLIDATED BASIS (Continued):**

**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
	<b>31 December 2019</b>						
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)					1.420.202	406.872
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					-	-
<b>6</b>	<b>Total</b>					<b>1.420.202</b>	<b>406.872</b>

		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
	<b>31 December 2018</b>						
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					-	-
<b>6</b>	<b>Total</b>					<b>1.348.090</b>	<b>489.915</b>

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

**III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):**

**3. Credit valuation adjustment (CVA) capital charge**

	<b>31 December 2019</b>	<b>Exposure (After credit risk mitigation methods)</b>	<b>Risk Weighted Amounts</b>
	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	1.420.202	121.220
4	<b>Total amount of CVA capital adequacy</b>	<b>1.420.202</b>	<b>121.220</b>

	<b>31 December 2018</b>	<b>Exposure (After credit risk mitigation methods)</b>	<b>Risk Weighted Amounts</b>
	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	<b>Total amount of CVA capital adequacy</b>	<b>1.348.090</b>	<b>165.300</b>

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

**III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):**

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

<b>31 December 2019</b>										
<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>		<b>Total credit risk</b>
<b>Risk Classes</b>										
Central governments and central banks receivables	-	-	540.169	-	-	-	-	-	-	540.169
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	71	-	-	-	71
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	192.347	-	281.457	323.874	-	125	-	-	-	797.803
Corporate receivables	1.595	-	-	-	-	79.959	-	-	-	81.554
Retail receivables	-	-	-	-	605	-	-	-	-	605
Mortgage receivables	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-	-
<b>Securitization positions</b>	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>193.942</b>	<b>-</b>	<b>821.626</b>	<b>323.874</b>	<b>605</b>	<b>80.155</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.420.202</b>

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

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**III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):**

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

<b>31 December 2018</b>										
<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>		<b>Total credit risk</b>
<b>Risk Classes</b>										
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	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>180.233</b>	<b>-</b>	<b>494.045</b>	<b>564.751</b>	<b>1.324</b>	<b>107.737</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.348.090</b>

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

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

**III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):**

**5. Composition of collateral for CCR exposure**

31 December 2019	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - Local Currency	-	-	-	-	1.595	-
Cash - Foreign Currency	-	-	-	-	192.346	-
Government Bonds-Domestic	-	-	-	-	-	-
Government Bonds-Other	-	-	-	-	-	-
Public Institution Bonds	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Guarantees	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>193.943</b>	-

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	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>171.306</b>	-

**6. Credit derivatives: None.**

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**III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):**

**7. Risks to Central Counterparty:**

There is a minimal CCP risk exposure due to the future transactions carried out by the Bank in Takasbank market. 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.

<b>31 December 2019</b>		<b>Exposure at default (post-CRM)</b>	<b>RWA</b>
1	Total Exposure to Qualified Central Counterparties (QCCPs)	-	7.092
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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**III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):**

**7. Risks to Central Counterparty (Continued):**

<b>31 December 2018</b>		<b>Exposure at default (post-CRM)</b>	<b>RWA</b>
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 THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP ON A CONSOLIDATED BASIS (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.



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

**III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):**

**j. Disclosures on Market Risk (Continued):**

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 Board of Directors approved policies.

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**

<b>31 December 2019</b>		<b>RWA</b>
Outright products		
1	Interest rate risk (general and specific)	90.009
2	Equity risk (general and specific)	1.497
3	Foreign exchange risk	16.517
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus method	3.259
7	Scenario approach	-
8	Securitisation	-
<b>9</b>	<b>Total</b>	<b>111.282</b>

<b>31 December 2018</b>		<b>RWA</b>
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	-
<b>9</b>	<b>Total</b>	<b>212.519</b>

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**INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP ON A CONSOLIDATED BASIS (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 2019 has been calculated using the income in 2016, 2017 and 2018.

Annual gross income is calculated through deducting profit/loss sourcing from sales of securities whose accounts are tracked in fair value through other comprehensive income and measured at amortized cost, 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.

	<b>2 Prior Period Value</b>	<b>1 Prior Period Value</b>	<b>Current Period value</b>	<b>Total / Total number of years for which gross income is positive</b>	<b>Rate (%)</b>	<b>Total</b>
<b>31 December 2019</b>						
<b>Gross Income</b>	498.897	588.992	868.663	652.184	15	<b>97.828</b>
<b>Amount subject to operational risk (Total*12,5)</b>	-	-	-	-	-	<b>1.222.845</b>

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

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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 2019	31 December 2018	31 December 2019	31 December 2018
<b>Bid rate</b>	<b>TL 6,6621</b>	<b>TL 6,0422</b>	<b>TL 5,9400</b>	<b>TL 5,2810</b>
1. Day Bid Rate	TL 6,6621	TL 6,0422	TL 5,9400	TL 5,2810
2. Day Bid Rate	TL 6,6506	TL 6,0280	TL 5,9402	TL 5,2609
3. Day Bid Rate	TL 6,6117	TL 6,0245	TL 5,9370	TL 5,2889
4. Day Bid Rate	TL 6,5759	TL 6,0185	TL 5,9302	TL 5,2832
5. Day Bid Rate	TL 6,5755	TL 6,0419	TL 5,9293	TL 5,3034

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 2019	31 December 2018	31 December 2019	31 December 2018
Arithmetic average – 30 days	TL 6,4983	TL 6,0359	TL 5,8455	TL 5,3010

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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 (Continued):**

**Information on currency risk of the Group:**

	EUR	USD	Other FC	Total
<b>31 December 2019</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	304.906	1.682.601	2.518	1.990.025
Due From Banks	6.155	18.987	8.325	33.467
Financial Assets at Fair Value Through Profit or Loss (*)	44.234	45.719	74	90.027
Interbank Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	13.550	154.101	-	167.651
Loans (*)	8.178.638	3.631.730	5.657	11.816.025
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial Assets Measured at Amortized Cost	-	262.923	-	262.923
Hedging Derivative Financial Assets (*)	178	4.230	-	4.408
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	33.700	56.322	-	90.022
<b>Total Assets</b>	<b>8.581.361</b>	<b>5.856.613</b>	<b>16.574</b>	<b>14.454.548</b>
<b>Liabilities</b>				
Bank Deposits	53.948	168.489	17	222.454
Foreign Currency Deposits	2.721.352	4.687.219	148.381	7.556.952
Funds From Interbank Money Market	-	192.346	-	192.346
Funds Borrowed From Other Financial Institutions	1.763.475	4.855.801	-	6.619.276
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	243.774	234.305	5.650	483.729
Hedging Derivative Financial Liabilities	1.848	9.409	-	11.257
Other Liabilities (*)	36.050	119.611	68	155.729
<b>Total Liabilities</b>	<b>4.820.447</b>	<b>10.267.180</b>	<b>154.116</b>	<b>15.241.743</b>
<b>Net On-balance Sheet Position</b>	<b>3.760.914</b>	<b>(4.410.567)</b>	<b>(137.542)</b>	<b>(787.195)</b>
<b>Net Off-balance Sheet Position</b>	<b>(3.409.210)</b>	<b>4.649.032</b>	<b>138.159</b>	<b>1.377.981</b>
Financial Derivative Assets	1.285.930	6.429.169	172.834	7.887.933
Financial Derivative Liabilities	4.695.140	1.780.137	34.675	6.509.952
<b>Non-Cash Loans (**)</b>	<b>1.081.865</b>	<b>1.566.223</b>	<b>76.254</b>	<b>2.724.342</b>
<b>31 December 2018</b>				
Total Assets (*)	8.133.769	5.762.718	38.384	13.934.871
Total Liabilities (*)	4.078.647	10.998.655	191.612	15.268.914
<b>Net On-balance Sheet Position</b>	<b>4.055.122</b>	<b>(5.235.937)</b>	<b>(153.228)</b>	<b>(1.334.043)</b>
<b>Net Off-balance Sheet Position</b>	<b>(3.811.325)</b>	<b>5.474.656</b>	<b>154.138</b>	<b>1.817.469</b>
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
<b>Non-Cash Loans (**)</b>	<b>725.771</b>	<b>945.549</b>	<b>51.561</b>	<b>1.722.881</b>

(\*) 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 260.472 (31 December 2018: TL 578.154) classified as Turkish Lira assets in the 31 December 2019 financial statements are added to the table above. Furthermore, in foreign currency assets “Income Accruals of Derivative Financial Instruments” amounting to TL 19.087 (31 December 2018: TL 190.252) and “Stages 1&2 Allowances for Expected Credit Losses” amounting to TL 534.807 (31 December 2018: TL 347.706), in foreign currency liabilities “Expense Accruals of Derivative Financial Instruments” amounting to TL 39.869 (31 December 2018: TL 14.433) and “Non-cash Loans Stages 1&2 Allowances for Expected Credit Losses” amounting to TL 7.158 (31 December 2018: TL 20.877) and “Marketable Securities Valuation Reserve” with “ Hedging Derivative Financials” amounting to TL (16.190) (31 December 2018: TL 3.886) 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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**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 2019 and 2018, 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 2019				31 December 2018			
	Income Statement		Equity (*)		Income Statement		Equity (*)	
	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease
USD	6.392	(6.392)	6.958	(6.958)	6.388	(6.388)	6.954	(6.954)
EUR	8.291	(8.291)	8.114	(8.114)	(935)	935	(1.112)	1.112
Other currency units	(53)	53	(53)	53	(24)	24	(24)	24
<b>Total, net</b>	<b>14.630</b>	<b>(14.630)</b>	<b>15.019</b>	<b>(15.019)</b>	<b>5.429</b>	<b>(5.429)</b>	<b>5.818</b>	<b>(5.818)</b>

(\*) Equity effect also includes income table effects.

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**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, fair value through other comprehensive income 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):**

<b>31 December 2019</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets (***)</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	-	-	-	-	-	2.162.662	2.162.662
Due From Banks	551.531	-	-	-	-	23.113	574.644
Financial Assets at Fair Value Through Profit/Loss (*)	72.433	117.591	387.448	59.713	32.629	751	670.565
Interbank Money Market Placements	557.969	-	-	-	-	-	557.969
Financial Assets at Fair Value Through Other Comprehensive Income	-	76.262	-	153.966	90.509	15.588	336.325
Loans	3.475.269	3.755.499	3.835.400	3.291.877	687.409	865.857	15.911.311
Financial Assets Measured at Amortized Cost	-	-	-	262.923	-	-	262.923
Other Assets	-	-	-	-	-	1.070.409	1.070.409
<b>Total Assets</b>	<b>4.657.202</b>	<b>3.949.352</b>	<b>4.222.848</b>	<b>3.768.479</b>	<b>810.547</b>	<b>4.138.380</b>	<b>21.546.808</b>
<b>Liabilities</b>							
Bank Deposits	148.507	53.383	-	-	-	20.910	222.800
Other Deposits	7.802.995	2.357.439	423.328	29.273	-	570.030	11.183.065
Funds From Interbank Money Market	20.991	190.523	-	-	-	-	211.514
Miscellaneous Payables	-	-	-	-	-	575.877	575.877
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	2.315.772	3.306.855	1.197.741	27.687	-	-	6.848.055
Other Liabilities (*) (**)	107.506	1.682	114.627	108.012	7.738	2.165.932	2.505.497
<b>Total Liabilities</b>	<b>10.395.771</b>	<b>5.909.882</b>	<b>1.735.696</b>	<b>164.972</b>	<b>7.738</b>	<b>3.332.749</b>	<b>21.546.808</b>
<b>Balance Sheet Long Position</b>	-	-	<b>2.487.152</b>	<b>3.603.507</b>	<b>802.809</b>	<b>805.631</b>	<b>7.699.099</b>
<b>Balance Sheet Short Position</b>	<b>(5.738.569)</b>	<b>(1.960.530)</b>	-	-	-	-	<b>(7.699.099)</b>
Off-balance Sheet Long Position	746.862	939.975	1.129.985	-	-	-	2.816.822
Off-balance Sheet Short Position	-	-	-	(2.285.809)	-	-	(2.285.809)
<b>Total Position</b>	<b>(4.991.707)</b>	<b>(1.020.555)</b>	<b>3.617.137</b>	<b>1.317.698</b>	<b>802.809</b>	<b>805.631</b>	<b>531.013</b>

(\*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 437.122 and other liabilities includes hedging derivative financial liabilities amounting to TL 77.913 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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**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):**

<b>31 December 2018</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Year</b>	<b>5 Year and Over</b>	<b>Non Interest Bearing</b>	<b>Total</b>
<b>Assets (***)</b>							
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	9.541	393.149
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 Costs	-	-	-	236.801	-	-	236.801
Other Assets	-	-	-	-	-	499.085	499.085
<b>Total Assets</b>	<b>8.894.835</b>	<b>2.581.267</b>	<b>5.129.195</b>	<b>3.415.942</b>	<b>504.932</b>	<b>1.502.694</b>	<b>22.028.865</b>
<b>Liabilities</b>							
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
<b>Total Liabilities</b>	<b>9.690.307</b>	<b>5.785.324</b>	<b>2.975.952</b>	<b>163.703</b>	<b>857</b>	<b>3.412.722</b>	<b>22.028.865</b>
<b>Balance Sheet Long Position</b>			<b>2.153.243</b>	<b>3.252.239</b>	<b>504.075</b>		<b>5.909.557</b>
<b>Balance Sheet Short Position</b>	<b>(795.472)</b>	<b>(3.204.057)</b>				<b>(1.910.028)</b>	<b>(5.909.557)</b>
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)
<b>Total Position</b>	<b>1.724</b>	<b>(1.755.401)</b>	<b>3.316.660</b>	<b>663.214</b>	<b>443.653</b>	<b>(1.910.028)</b>	<b>759.822</b>

(\*) 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.

**Interest rate sensitivity analysis:**

<b>Change in interest rate</b>	<b>Profit/ Loss Effect</b>	<b>Effect on funds under equity</b>
<b>31 December 2019</b>		
(+) %1	22.567	(45.599)
(-) %1	(24.052)	12.748

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

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

**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:

<b>31 December 2019</b>	<b>EUR</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	-
Due From Banks	-	0,76	-	11,11
Financial Assets at Fair Value Through Profit/Loss	3,46	3,10	-	10,49
Interbank Money Market Placements	-	-	-	9,78
Financial Assets at Fair Value Through Other Comprehensive Income	3,05	4,66	-	15,60
Loans	5,44	7,40	-	18,52
Financial Assets Measured at Amortized Cost	-	4,41	-	-
<b>Liabilities</b>				
Bank Deposits	0,99	1,41	-	-
Other Deposits (*)	0,65	2,39	-	12,02
Funds From Interbank Money Market	-	3,08	-	24,68
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	2,89	4,78	-	14,77

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

<b>31 December 2018</b>	<b>EUR</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
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	-	-
<b>Liabilities</b>				
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.



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**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	(39.631)	(1,1)%
2. TRY	-400 bp	37.167	1,0%
3. EURO	+200 bp	(38.455)	(1,1)%
4. EURO	-200 bp	(8.793)	(0,2)%
5. USD	+200 bp	(15.772)	(0,4)%
6. USD	-200 bp	13.800	0,4%
<b>Total (For Negative Shocks)</b>		<b>42.174</b>	<b>1,2%</b>
<b>Total (For Positive Shocks)</b>		<b>(93.858)</b>	<b>(2,6)%</b>

**VII. EXPLANATIONS ON CONSOLIDATED SHARE CERTIFICATE POSITION RISK:**

None.

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

**Consolidated Liquidity Coverage Ratio:**

31 December 2019	Unweighted Amounts (*)		Weighted Amounts (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
<b>1 High Quality Liquid Assets</b>			<b>2.959.863</b>	<b>2.073.299</b>
<b>CASH OUTFLOWS</b>				
<b>2 Retail and Small Business Customers Deposits</b>	<b>7.535.330</b>	<b>4.496.728</b>	<b>712.697</b>	<b>449.673</b>
3 Stable deposits	816.734	-	40.837	-
4 Less stable deposits	6.718.596	4.496.728	671.860	449.673
<b>5 Unsecured Funding other than Retail and Small Business Customers Deposits</b>	<b>3.723.531</b>	<b>3.026.723</b>	<b>1.912.957</b>	<b>1.524.195</b>
6 Operational deposits	1.075.164	973.412	268.791	243.353
7 Non-Operational Deposits	2.199.011	1.782.885	1.194.810	1.010.416
8 Other Unsecured Funding	449.356	270.426	449.356	270.426
<b>9 Secured funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10 Other Cash Outflows</b>	<b>208.906</b>	<b>211.680</b>	<b>208.906</b>	<b>211.680</b>
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	208.906	211.680	208.906	211.680
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off-balance sheet liabilities	-	-	-	-
<b>14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>15 Other irrevocable or conditionally revocable commitments</b>	<b>3.141.140</b>	<b>2.427.506</b>	<b>385.804</b>	<b>277.514</b>
<b>16 TOTAL CASH OUTFLOWS</b>			<b>3.220.364</b>	<b>2.463.062</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	2.071.525	962.087	1.475.375	671.039
19 Other contractual cash inflows	14.098	131.056	14.098	131.056
<b>20 TOTAL CASH INFLOWS</b>	<b>2.085.623</b>	<b>1.093.143</b>	<b>1.489.473</b>	<b>802.095</b>
			<b>Upper Bound Applied Amounts</b>	
<b>21 TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>2.959.863</b>	<b>2.073.299</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>1.730.891</b>	<b>1.660.966</b>
<b>23 Liquidity Coverage Ratio (%)</b>			<b>171,00</b>	<b>124,82</b>

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

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

31 December 2018	Unweighted Amounts (*)		Weighted Amounts (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
<b>1 High Quality Liquid Assets</b>			<b>3.347.948</b>	<b>1.974.193</b>
<b>CASH OUTFLOWS</b>				
<b>2 Retail and Small Business Customers Deposits</b>	<b>7.702.237</b>	<b>3.759.645</b>	<b>740.445</b>	<b>375.964</b>
3 Stable deposits	595.562	-	29.778	-
4 Less stable deposits	7.106.675	3.759.645	710.667	375.964
<b>5 Unsecured Funding other than Retail and Small Business Customers Deposits</b>	<b>3.298.226</b>	<b>2.460.000</b>	<b>1.650.342</b>	<b>1.184.129</b>
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
<b>9 Secured funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10 Other Cash Outflows</b>	<b>1.158</b>	<b>664.982</b>	<b>1.158</b>	<b>664.982</b>
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	-	-	-	-
<b>14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>15 Other irrevocable or conditionally revocable commitments</b>	<b>2.500.248</b>	<b>1.843.111</b>	<b>316.141</b>	<b>222.528</b>
<b>16 TOTAL CASH OUTFLOWS</b>			<b>2.708.086</b>	<b>2.447.603</b>
<b>CASH INFLOWS</b>				
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	-
<b>20 TOTAL CASH INFLOWS</b>	<b>2.705.185</b>	<b>1.214.321</b>	<b>1.957.296</b>	<b>920.996</b>
			<b>Upper Bound Applied Amounts</b>	
<b>21 TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>3.347.948</b>	<b>1.974.193</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>750.790</b>	<b>1.526.607</b>
<b>23 Liquidity Coverage Ratio (%)</b>			<b>445,92</b>	<b>129,32</b>

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

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**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT 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 66% and securities issued by under secretariat of Treasury at a ratio of 29%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to bank debt at ratios of 22%, 49% and 12% 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. Information related to the aforementioned cash outflow occurred on 31 December 2019 is given below:

Date	FC	FC + TL
31 December 2019	205.332	205.332

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 2019, liquidity coverage rates must be at least 80% for foreign currency assets and liabilities and at least 100% 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 (%)	162,90%	216,13%	107,64%	147,02%
Month	30.11.2019	30.11.2019	31.10.2019	31.12.2019

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

**Breakdown of assets and liabilities according to their outstanding maturities:**

<b>31 December 2019</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Unclassified (***)</b>	<b>Total</b>
<b>Assets (****)</b>								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	913.729	1.248.933	-	-	-	-	-	2.162.662
Due From Banks	23.113	551.531	-	-	-	-	-	574.644
Financial Assets at Fair Value Through Profit or Loss (*)	3	112.537	76.167	118.787	329.688	32.632	751	670.565
Interbank Money Market Placements	-	557.969	-	-	-	-	-	557.969
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	76.262	-	153.966	90.500	15.597	336.325
Loans	-	1.467.219	2.269.888	2.993.364	6.208.779	2.106.204	865.857	15.911.311
Financial Assets Measured at Amortized Cost	-	-	-	-	262.923	-	-	262.923
Other Assets (**)	-	67.814	70.748	21.520	67.336	-	842.991	1.070.409
<b>Total Assets</b>	<b>936.845</b>	<b>4.006.003</b>	<b>2.493.065</b>	<b>3.133.671</b>	<b>7.022.692</b>	<b>2.229.336</b>	<b>1.725.196</b>	<b>21.546.808</b>
<b>Liabilities</b>								
Bank Deposits	20.910	148.507	53.383	-	-	-	-	222.800
Other Deposits	570.030	7.802.995	2.357.439	423.328	29.273	-	-	11.183.065
Funds Borrowed From Other Financial Institutions	-	115.191	250.379	2.795.545	2.782.796	904.144	-	6.848.055
Funds From Interbank Money Market	1.595	17.573	-	-	192.346	-	-	211.514
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	438.413	-	-	-	-	137.464	575.877
Other Liabilities (*) (***)	-	242.747	12.039	106.959	99.884	103.532	1.940.336	2.505.497
<b>Total Liabilities</b>	<b>592.535</b>	<b>8.765.426</b>	<b>2.673.240</b>	<b>3.325.832</b>	<b>3.104.299</b>	<b>1.007.676</b>	<b>2.077.800</b>	<b>21.546.808</b>
<b>Net Liquidity Gap</b>	<b>344.310</b>	<b>(4.759.423)</b>	<b>(180.175)</b>	<b>(192.161)</b>	<b>3.918.393</b>	<b>1.221.660</b>	<b>(352.604)</b>	<b>-</b>
<b>Net Off-balance sheet position</b>	<b>-</b>	<b>379.336</b>	<b>168.200</b>	<b>61.985</b>	<b>489.380</b>	<b>541</b>	<b>-</b>	<b>1.099.442</b>
Financial Derivative Assets	-	4.709.201	1.427.269	322.591	1.190.928	821	-	7.650.810
Financial Derivative Liabilities	-	(4.329.865)	(1.259.069)	(260.606)	(701.548)	(280)	-	(6.551.368)
<b>Non-cash Loans</b>	<b>-</b>	<b>2.457.879</b>	<b>246.823</b>	<b>566.093</b>	<b>204.173</b>	<b>4.279</b>	<b>-</b>	<b>3.479.247</b>
<b>31 December 2018</b>								
Total Assets	691.778	4.581.420	2.116.070	3.967.988	7.702.605	1.999.388	969.616	22.028.865
Total Liabilities	298.662	7.067.109	3.071.760	3.432.990	5.293.561	805.320	2.059.463	22.028.865
<b>Net Liquidity Gap</b>	<b>393.116</b>	<b>(2.485.689)</b>	<b>(955.690)</b>	<b>534.998</b>	<b>2.409.044</b>	<b>1.194.068</b>	<b>(1.089.847)</b>	<b>-</b>
<b>Net Off-balance sheet position</b>	<b>-</b>	<b>94.126</b>	<b>116.984</b>	<b>591.289</b>	<b>79.093</b>	<b>876</b>	<b>-</b>	<b>882.368</b>
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)
<b>Non-cash Loans</b>	<b>-</b>	<b>1.465.856</b>	<b>168.600</b>	<b>565.789</b>	<b>119.656</b>	<b>66</b>	<b>-</b>	<b>2.319.967</b>

(\*) Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL 437.122 and Other Liabilities includes hedging derivative financial liabilities amounting to TL 77.913. 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 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):**

**Breakdown of financial liabilities according to their remaining contractual maturities:**

<b>31 December 2019</b>	<b>Demand and up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Above 5 years</b>	<b>Total</b>
<b>Liabilities</b>						
Deposits	169.422	53.436	-	-	-	<b>222.858</b>
Funds borrowed from other financial institutions	8.385.929	2.379.330	454.913	34.127	-	<b>11.254.299</b>
Funds from money market	135.657	282.343	3.873.040	3.247.096	933.230	<b>8.471.366</b>
Payables to money market	19.169	-	-	194.018	-	<b>213.187</b>
<b>Total</b>	<b>8.710.177</b>	<b>2.715.109</b>	<b>4.327.953</b>	<b>3.475.241</b>	<b>933.230</b>	<b>20.161.710</b>

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

**Derivative instruments of group, counter-based maturity analysis:**

<b>31 December 2019</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 Years</b>	<b>Above 5 Years</b>	<b>Total</b>
<b>Derivative instruments held for trading</b>						
Exchange rate derivatives:						
- Entry	4.586.462	1.176.928	191.991	17.322	-	<b>5.972.703</b>
- Out	4.246.121	1.128.820	172.904	17.764	-	<b>5.565.609</b>
Interest rate derivatives:						
- Entry	2.428	4.561	11.635	19.141	821	<b>38.586</b>
- Out	2.581	2.610	12.872	22.245	280	<b>40.588</b>
<b>Derivative instruments protection from risk</b>						
Exchange rate derivatives:						
- Entry	120.311	243.177	118.218	1.154.465	-	<b>1.636.171</b>
- Out	80.995	124.943	69.135	651.901	-	<b>926.974</b>
Interest rate derivatives:						
- Entry	-	2.603	747	-	-	<b>3.350</b>
- Out	168	2.696	5.695	9.638	-	<b>18.197</b>
<b>Total cash entry</b>	<b>4.709.201</b>	<b>1.427.269</b>	<b>322.591</b>	<b>1.190.928</b>	<b>821</b>	<b>7.650.810</b>
<b>Total cash out</b>	<b>4.329.865</b>	<b>1.259.069</b>	<b>260.606</b>	<b>701.548</b>	<b>280</b>	<b>6.551.368</b>



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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):**

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

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**IX. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO:**

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

As of 31 December 2019, the leverage ratio of the Group calculated from the arithmetic average of the three months is 7,46% (31 December 2018: 6,86%). This ratio is above the minimum required. The most important reason for the difference in leverage ratio between current and prior period is the decrease in the balance sheet assets.

**Disclosure of leverage ratio template:**

	<b>31 December 2019 (*)</b>	<b>31 December 2018 (*)</b>
<b>Balance sheet assets</b>		
Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	21.536.223	23.065.518
(Assets deducted from Core capital)	55.299	62.271
Total risk amount of balance sheet assets	21.480.924	23.003.247
<b>Derivative financial assets and credit derivatives</b>		
Cost of replenishment for derivative financial assets and credit derivatives	513.049	1.021.621
Potential credit risk amount of derivative financial assets and credit derivatives	101.092	147.532
Total risk amount of derivative financial assets and credit derivatives	614.141	1.169.153
<b>Financing transactions secured by marketable security or commodity</b>		
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	-	-
<b>Off-balance sheet transactions</b>		
Gross notional amount of off-balance sheet transactions	4.315.837	3.554.290
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	4.315.837	3.554.290
<b>Capital and total risk</b>		
Core Capital	1.967.889	1.894.917
Total risk amount	26.410.902	27.726.690
<b>Leverage ratio</b>		
Leverage ratio	7,46%	6,86%

(\*) 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 2019, 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 TFRS 9, in financial statements under equity “Hedging Funds”, whereas the amount concerning ineffective parts is associated with the statement of profit or loss.

As of the balance sheet date, derivative financial assets with a carrying amount of TL 437.122 (31 December 2018: TL 664.968) and derivative financial payables with a carrying amount of TL 77.913 (31 December 2018: TL 70.273), are subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, fair value expense at the amount of TL 113.354 (31 December 2018: TL 40.960 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 December 2018: 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	435.079	71.195	(19.392)	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	2.043	6.718	(12.746)	-

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in TFRS 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 statement of profit or loss due to the swaps, of which effectiveness is damaged or closed in the current period (31 December 2018: None).

The measurements conducted as of 31 December 2019 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. EXPLANATIONS ON THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES:**

**a. Financial Assets and Liabilities at their fair values:**

Financial assets measured at amortized cost 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 2019	31 December 2018	31 December 2019	31 December 2018
<b>Financial Assets</b>	<b>17.643.233</b>	<b>18.066.572</b>	<b>19.248.196</b>	<b>18.330.873</b>
Receivables from Money Markets	557.969	9.000	558.409	9.000
Banks (*)	574.705	638.421	574.848	638.458
Financial assets at fair value through other comprehensive income	336.325	393.149	336.325	397.693
Other financial assets measured at amortized cost	262.923	236.801	266.129	229.285
Loans	15.911.311	16.789.201	17.512.485	17.056.437
<b>Financial Liabilities</b>	<b>19.052.597</b>	<b>19.331.274</b>	<b>18.879.012</b>	<b>19.571.155</b>
Bank Deposits	222.800	96.724	222.652	96.712
Other Deposits	11.405.865	9.818.576	11.231.101	9.857.850
Borrowings	6.848.055	8.460.079	6.849.382	8.660.698
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	575.877	955.895	575.877	955.895

(\*) Includes TCMB time deposits.

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**XI. EXPLANATIONS ON 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:

<b>31 December 2019</b>	<b>1<sup>st</sup> Level</b>	<b>2<sup>nd</sup> Level</b>	<b>3<sup>rd</sup> Level</b>	<b>Total</b>
Financial Assets at Fair Value Through Profit or Loss	36.292	197.151	-	<b>233.443</b>
Government Debt Securities	4.615	-	-	<b>4.615</b>
Share Certificates	-	-	-	-
Derivative financial assets at fair value through profit or loss	-	197.151	-	<b>197.151</b>
Other Securities	31.677	-	-	<b>31.677</b>
Financial Assets at Fair Value Through other comprehensive income (*)	320.218	16.107	-	<b>336.325</b>
Share Certificates	-	15.597	-	<b>15.597</b>
Government Debt Securities	320.218	-	-	<b>320.218</b>
Other Securities	-	510	-	<b>510</b>
Derivative financial assets at fair value through other comprehensive income	-	437.122	-	<b>437.122</b>
<b>Total Assets</b>	<b>356.510</b>	<b>650.380</b>	-	<b>1.006.890</b>
Derivative financial liabilities at fair value through profit or loss	-	146.581	-	<b>146.581</b>
Derivative financial liabilities at fair value through other comprehensive income	-	77.913	-	<b>77.913</b>
<b>Total Liabilities</b>	-	<b>224.494</b>	-	<b>224.494</b>

(\*) As noted in the footnote VII-d, written down values of financial assets at fair value through other comprehensive income 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.

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

**b. Fair value hierarchy (Continued):**

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

(\*) As noted in the footnote VII-d, written down values of financial assets at fair value through other comprehensive income 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. EXPLANATIONS 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.

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**XIII. EXPLANATIONS ON OPERATING SEGMENTS:**

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

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

Corporate and commercial banking provides services like loan, deposit, cash management, foreign trade financing, non-cash loans, foreign currency transaction services to customers.

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

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

The prior period information is presented as of 31 December 2018 for balance sheet and income statement items.

	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Other and Unclassified (*)</b>	<b>Total Operations of the Bank</b>
<b>31 December 2019</b>					
Net Interest Income	124.366	502.388	37.171	148.722	812.647
Net Fees and Commissions	4.972	33.208	-	(5.218)	32.962
Trading Profit/Loss	15.960	7.725	9.183	7.572	40.440
Other Operating Income	2.023	12.965	-	40.566	55.554
<b>Operating Income</b>	<b>147.321</b>	<b>556.286</b>	<b>46.354</b>	<b>191.642</b>	<b>941.603</b>
<b>Operating Costs (-)</b>	<b>108.971</b>	<b>376.827</b>	<b>36.902</b>	<b>247.424</b>	<b>770.124</b>
<b>Net Operating Income</b>	<b>38.350</b>	<b>179.459</b>	<b>9.452</b>	<b>(55.782)</b>	<b>171.479</b>
Dividend Income	-	-	-	2.769	2.769
Income/Loss from subsidiaries based on equity method	-	-	-	-	-
<b>Profit Before Tax</b>	<b>38.350</b>	<b>179.459</b>	<b>9.452</b>	<b>(53.013)</b>	<b>174.248</b>
Tax Provisions (-)	(8.437)	(39.481)	(2.079)	14.303	(35.694)
<b>Net Profit/(Loss)</b>	<b>29.913</b>	<b>139.978</b>	<b>7.373</b>	<b>(38.710)</b>	<b>138.554</b>
Segment Assets	1.531.640	12.784.757	3.259.495	3.177.963	20.753.855
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-
Unallocated Assets	-	-	-	792.953	792.953
<b>Total Assets</b>	<b>1.531.640</b>	<b>12.784.757</b>	<b>3.259.495</b>	<b>3.970.916</b>	<b>21.546.808</b>
Segments Liabilities	7.900.248	3.248.989	4.793.910	3.684.386	19.627.533
Unallocated Liabilities	-	-	-	1.919.275	1.919.275
<b>Total Liabilities</b>	<b>7.900.248</b>	<b>3.248.989</b>	<b>4.793.910</b>	<b>5.603.661</b>	<b>21.546.808</b>

(\*) Other operations include non-distributable items of Parent Bank and 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 partnerships of the Parent Bank.

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

**XIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued):**

<b>31 December 2018</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Other and Unclassified (*)</b>	<b>Total Operations of the Bank</b>
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
<b>Operating Income</b>	<b>156.295</b>	<b>573.040</b>	<b>18.201</b>	<b>123.510</b>	<b>871.046</b>
<b>Operating Costs (-)</b>	<b>94.757</b>	<b>356.348</b>	<b>33.214</b>	<b>178.363</b>	<b>662.682</b>
<b>Net Operating Income</b>	<b>61.538</b>	<b>216.692</b>	<b>(15.013)</b>	<b>(54.853)</b>	<b>208.364</b>
Dividend Income	-	-	-	700	700
Income/(Loss) from subsidiaries based on equity method	-	-	-	-	-
<b>Profit Before Tax</b>	<b>61.538</b>	<b>216.692</b>	<b>(15.013)</b>	<b>(54.153)</b>	<b>209.064</b>
Tax Provisions (-)	13.539	47.672	(3.303)	(10.603)	47.305
<b>Net Profit / Loss</b>	<b>47.999</b>	<b>169.020</b>	<b>(11.710)</b>	<b>(43.550)</b>	<b>161.759</b>
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
<b>Total Assets</b>	<b>1.730.837</b>	<b>13.814.554</b>	<b>3.245.940</b>	<b>3.237.534</b>	<b>22.028.865</b>
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
<b>Total Liabilities</b>	<b>7.300.928</b>	<b>2.443.397</b>	<b>6.583.714</b>	<b>5.700.826</b>	<b>22.028.865</b>

(\*) Other operations include non-distributable items of Parent Bank and 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 partnerships of the Parent Bank.



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**BURGAN BANK A.Ş.**

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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 2019		31 December 2018	
	TL	FC	TL	FC
Cash/Foreign currency	16.388	126.008	14.108	70.171
CBRT	156.249	1.864.017	1.359.170	1.302.967
Other	-	-	-	-
<b>Total</b>	<b>172.637</b>	<b>1.990.025</b>	<b>1.373.278</b>	<b>1.373.138</b>

2. Information on the account of the CBRT:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Demand Unrestricted Amount	156.249	771.221	1.159.045	549.040
Time Unrestricted Amount	-	-	200.125	241.688
Time Restricted Amount	-	1.092.796	-	512.239
<b>Total</b>	<b>156.249</b>	<b>1.864.017</b>	<b>1.359.170</b>	<b>1.302.967</b>

3. Information on reserve requirements:

In accordance with the “Communiqué Regarding Reserve Requirements” No. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the “Communiqué Regarding Reserve Requirements”, reserve requirements in CBRT can be maintained as TL, USD, EUR and standard gold. As of September 19, 2019, interest on foreign currency reserve deposits is not paid. As for Turkish lira denominated required reserves, interest is paid to banks that provide credit growth in accordance with the CBRT's communique on December 9, 2019 and numbered 2019/19.

As of 31 December 2019, the valid TL required reserve rates vary between 1% and 7% according to their maturities (31 December 2018: Between 1,5% and 8%). The valid foreign currency required reserve rates vary between 5% and 21% according to their maturities (31 December 2018: Between 4% and 20%).

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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:**

1. Financial assets at fair value through profit / loss given as collateral / blocked:

As of 31 December 2019, there are TL 52 subject to assets given as collateral/blocked to financial assets at fair value through profit or loss (31 December 2018: TL 3.813).

2. Financial assets at fair value through profit / loss subject to repo transactions:

As of 31 December 2019, there is no amount subject to repo transactions from financial assets at fair value through profit or loss (31 December 2018: None).

**c. Information on banks:**

1. Information on banks:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Banks				
Domestic	541.238	4.451	3.267	4.553
Foreign	-	29.016	-	188.788
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>541.238</b>	<b>33.467</b>	<b>3.267</b>	<b>193.341</b>

2. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
EU Countries	13.073	37.439	-	-
USA, Canada	9.017	13.199	-	-
OECD Countries (*)	465	444	-	-
Off-shore Banking Regions	-	-	-	-
Others	6.461	137.706	-	-
<b>Total</b>	<b>29.016</b>	<b>188.788</b>	<b>-</b>	<b>-</b>

(\*) 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. Financial assets at fair value through other comprehensive income given as collateral:

As of 31 December 2019, there are TL 203.247 financial assets at fair value through other comprehensive income given as collateral/blocked (31 December 2018: TL 31.699).

2. Financial assets at fair value through other comprehensive income subject to repo transactions:

There are TL 11.651 financial assets at fair value through other comprehensive income subject to repurchase agreements. (31 December 2018: None).

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
Debt Securities	323.080	404.851
Quoted on Stock Exchange	323.080	404.851
Not Quoted	-	-
Share Certificates	15.597	9.456
Quoted on Stock Exchange	-	-
Not Quoted	15.597	9.456
Impairment Provision (-)	2.352	21.158
<b>Total</b>	<b>336.325</b>	<b>393.149</b>

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

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

**e. Explanations on loans:**

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

	31 December 2019		31 December 2018	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted To Shareholders	-	35.560	-	149.865
Corporate Shareholders	-	35.560	-	149.865
Real Person Shareholders	-	-	-	-
Indirect Loans Granted To Shareholders	-	-	-	-
Loans Granted To Employees	4.227	-	3.680	-
<b>Total</b>	<b>4.227</b>	<b>35.560</b>	<b>3.680</b>	<b>149.865</b>

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

i.

	Standard Loans (**)	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Re-finance
<b>Cash Loans</b>				
Non-Specialized Loans	10.210.236	1.690.220	1.016.360	-
Loans given to enterprises	-	-	-	-
Export Loans	569.645	16	7.322	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	357.530	-	-	-
Consumer Loans	509.940	20.263	18.563	-
Credit Cards	-	-	-	-
Other (*)	8.773.121	1.669.941	990.475	-
Specialized Loans	-	-	-	-
Other Receivables (***)	2.000.557	214.898	482.048	-
<b>Total</b>	<b>12.210.793</b>	<b>1.905.118</b>	<b>1.498.408</b>	<b>-</b>

(\*) 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.

(\*\*\*) Other receivables include the lease receivables of Burgan Finansal Kiralama A.Ş.

ii.

	Standard Loans	Loans Under Close Monitoring
<b>General Provisions (*)</b>	<b>64.922</b>	<b>520.553</b>
12 Month Expected Credit Losses	64.922	-
Significant Increase in Credit Risk	-	520.553

(\*) Non-cash loan provisions and finance lease receivables provisions are included in the table.

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

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

**e. Explanations on loans (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	3.152.042	293.659	135.880
Medium and Long-term Loans	9.058.751	1.611.459	1.362.528
<b>TOTAL</b>	<b>12.210.793</b>	<b>1.905.118</b>	<b>1.498.408</b>

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

**I. 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
<b>Consumer Loans-TL</b>	<b>25.089</b>	<b>508.080</b>	<b>533.169</b>
Real estate loans	-	75.525	75.525
Automotive loans	11	12.330	12.341
Consumer loans	25.078	420.225	445.303
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	-	<b>5.138</b>	<b>5.138</b>
Real estate loans	-	4.923	4.923
Automotive loans	-	-	-
Consumer loans	-	215	215
Other	-	-	-
<b>Individual Credit Cards-TL</b>	-	-	-
With installments	-	-	-
Without installments	-	-	-
<b>Individual Credit Cards-FC</b>	-	-	-
With installments	-	-	-
Without installments	-	-	-
<b>Personnel Loans-TL</b>	<b>449</b>	<b>3.778</b>	<b>4.227</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	449	3.778	4.227
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	-	-	-
With installments	-	-	-
Without installments	-	-	-
<b>Personnel Credit Cards-FC</b>	-	-	-
With installments	-	-	-
Without installments	-	-	-
<b>Credit Deposit Account-TL (Real Person)</b>	<b>6.232</b>	-	<b>6.232</b>
<b>Credit Deposit Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>31.770</b>	<b>516.996</b>	<b>548.766</b>

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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
<b>Commercial Installments Loans-TL</b>	<b>64.515</b>	<b>1.028.889</b>	<b>1.093.404</b>
Real estate loans	-	-	-
Automotive loans	-	472	472
Consumer loans	64.515	1.028.417	1.092.932
Other	-	-	-
<b>Commercial Installments Loans-FC Indexed</b>	<b>-</b>	<b>207.031</b>	<b>207.031</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	207.031	207.031
Other	-	-	-
<b>Commercial Installments Loans-FC</b>	<b>16.397</b>	<b>5.916.377</b>	<b>5.932.774</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	16.397	5.916.377	5.932.774
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Credit Deposit Account-TL (Legal Person)</b>	<b>15</b>	<b>-</b>	<b>15</b>
<b>Credit Deposit Account-FC (Legal Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>80.927</b>	<b>7.152.297</b>	<b>7.233.224</b>

6. Loans according to types of borrowers (\*):

	31 December 2019	31 December 2018
Public	-	-
Private	15.614.319	16.614.172
<b>Total</b>	<b>15.614.319</b>	<b>16.614.172</b>

(\* It includes the “Receivables from Leasing Transactions”.

7. Distribution of domestic and foreign loans (\*):

	31 December 2019	31 December 2018
Domestic Loans	15.607.499	16.614.172
Foreign Loans	6.820	-
<b>Total</b>	<b>15.614.319</b>	<b>16.614.172</b>

(\* It includes the “Receivables from Leasing Transactions”.

8. Loans given to investments in associates and subsidiaries:

None (31 December 2018: None).

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

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

9. Specific provisions provided against loans (\*):

	<b>31 December 2019</b>	<b>31 December 2018</b>
Loans with Limited Collectability	49.369	33.993
Loans with Doubtful Collectability	115.215	74.784
Uncollectible Loans	162.331	152.674
<b>Total</b>	<b>326.915</b>	<b>261.451</b>

(\*) It includes the “Receivables from Leasing Transactions”.

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

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

	<b>III. Group Loans with limited collectability</b>	<b>IV. Group Loans with doubtful collectability</b>	<b>V. Group Uncollectible loans</b>
<b>31 December 2019</b>			
Gross Amounts before the Provisions	-	-	-
Restructured Loans	1.028	1.963	8.201
<b>31 December 2018</b>			
Gross Amounts before the Provisions	-	-	-
Restructured Loans	-	-	9.868



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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 (\*):

	<b>III. Group Loans with limited collectability</b>	<b>IV. Group Loans with doubtful collectability</b>	<b>V. Group Uncollectible loans</b>
<b>Prior Period End Balance</b>	<b>189.842</b>	<b>373.880</b>	<b>307.276</b>
Additions (+)	438.030	129.536	162.875
Transfers from Other Categories of Non-performing Loans (+)	93.911	425.493	471.028
Transfers to Other Categories of Non-performing Loans (-)	425.493	471.028	-
Collections (-)	94.460	111.716	136.012
Write-offs (-)	-	-	106.355
Sold Portfolio (-) (**)	-	11.329	42.706
Corporate and Commercial Loans	-	11.329	42.706
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Balance at the End of the Period</b>	<b>201.830</b>	<b>334.836</b>	<b>656.106</b>
<b>Specific Provision (-)</b>	<b>49.369</b>	<b>115.215</b>	<b>162.331</b>
<b>Net Balance on Balance Sheet</b>	<b>152.461</b>	<b>219.621</b>	<b>493.775</b>

(\*) It includes the “Receivables from Leasing Transactions”.

(\*\*) As of 29 March 2019, the Bank has written off its non-performing loans amounting to TL 54.035 from its assets by selling them to an asset company for TL 450.

iii. Information on non-performing loans granted as foreign currency loans(\*):

	<b>III. Group Loans with limited collectability</b>	<b>IV. Group Loans with doubtful collectability</b>	<b>V. Group Uncollectible loans</b>
<b>31 December 2019</b>			
Period-End Balance	119.529	95.434	231.067
Specific Provision (-)	35.899	39.551	67.835
<b>Net Balance on balance sheet</b>	<b>83.630</b>	<b>55.883</b>	<b>163.232</b>
<b>31 December 2018</b>			
Period-End Balance	96.109	141.519	106.952
Specific Provision (-)	11.523	51.156	73.885
<b>Net Balance on balance sheet</b>	<b>84.586</b>	<b>90.363</b>	<b>33.067</b>

(\*) It includes the “Receivables from Leasing Transactions”.

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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 (\*):

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>31 December 2019</b>			
<b>Current Period (Net)</b>	<b>152.461</b>	<b>219.621</b>	<b>493.775</b>
Loans Given to Real Persons and Legal Persons (Gross)	110.211	300.585	536.348
Provision Amount (-)	33.942	107.190	135.451
Loans Given to Real Persons and Legal Persons (Net)	76.269	193.395	400.897
Banks (Gross)			
Provision Amount (-)			
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	91.619	34.251	119.758
Provision Amount (-)	15.427	8.025	26.880
Other Loans and Receivables (Net)	76.192	26.226	92.878
<b>Prior Period (Net)</b>	<b>155.849</b>	<b>299.096</b>	<b>154.602</b>
Loans Given to Real Persons and Legal Persons (Gross)	108.534	326.980	250.933
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)	-	-	-
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	81.308	46.900	56.343
Provision Amount (-)	6.186	17.294	43.225
Other Loans and Receivables (Net)	75.122	29.606	13.118

(\*) It includes the “Receivables from Leasing Transactions”.

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

Uncollectible loans and other receivables are collected through the liquidation of collaterals by legal procedures.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Continued):**

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

12. Explanations of the write-off policy:

Within the scope of the amendment to the Banking Act, the Regulation on the Classification of Loans and the Procedures and Principles for the provisions to be allocated for them were also amended;

- Classified under Fifth Group-Uncollectible Loans,
- Part of the borrower's default for the lifetime expected credit losses or if there are no reasonable expectations for the recover of loans allocated in specific provision,
- From the first reporting period (interim or year-end reporting period) following their classification in the group,

It has been allowed to be written-off from the accounts under TFRS 9.

Accordingly, non-performing loans are tracked in off-balance sheet accounts by writing-off the records. This transaction is an accounting application that allows the transfer of the legal proceeding balance to the off-balance sheet by removing it from asset accounts and not the result of the Bank giving up the right to credit.

It is not compulsory that the entire receivable for collecting from registration has no possibility to collect, but it is possible to remove the part that does not have partial collection possibility from the assets.

In order to write-off any legal proceedings from the account;

- Classified under Fifth Group (Uncollectible Loans),
- 100% provision for the portion of the account balance that will be written-off,
- Either the legal proceedings to be continued or to be started,

must be met.

Provisions allocated for amounts written-off from the accounts are considered "expense" in terms of tax legislation. The write-off process is only an accounting process and will continue the legal proceedings for the collection of the Bank's receivables. After the writing-off process, the balance in the off-balance sheet accounts will be collected for the part of the debt that is written-off from the account in full or part of the collection by agreeing with the borrower and the debtor's request.

As of 31 December 2019, the Bank has no reasonable expectations for the recovery, which is monitored in the fifth group in accordance with the amendment of the Provisions Regulation published by BRSA on 27 November 2019 and the Official Gazette no. 30961 TL 106.355 loan and leasing receivables have been written-off from the accounts. After the loans had been written-off in accordance with the relevant Provisions Regulation amendment during the period, the group's NPL rate decreased from 7,7% to 7,1%.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (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 TFRS 9:**

	<b>III. Group:</b>	<b>IV. Group:</b>	<b>V. Group:</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>Current Period (Net)</b>	<b>11.282</b>	<b>34.873</b>	<b>34.259</b>
Interest Accruals and Valuation Differences	17.656	55.354	56.507
Provision Amount (-)	6.374	20.481	22.248
<b>Prior Period (Net)</b>	<b>19.841</b>	<b>23.591</b>	<b>1.259</b>
Interest Accruals and Valuation Differences	23.285	37.506	1.266
Provision Amount (-)	3.444	13.915	7

**g. Information on financial assets measured at amortized cost:**

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

	<b>31 December 2019</b>		<b>31 December 2018</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Bonds	-	-	-	-
Bonds and Similar Securities	-	247.227	-	222.667
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>247.227</b>	<b>-</b>	<b>222.667</b>

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

None. (31 December 2018: None)

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
Government Bond	262.923	236.801
Treasury Bond	-	-
Other Public Debt Securities	-	-
<b>Total</b>	<b>262.923</b>	<b>236.801</b>

4. Information on financial assets measured at amortized cost:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Debt securities	262.923	236.801
Publicly-traded	262.923	236.801
Not publicly-traded	-	-
Provision for impairment (-)	-	-
<b>Total</b>	<b>262.923</b>	<b>236.801</b>

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

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

**g. Information on financial assets measured at amortized cost (Continued):**

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

	31 December 2019	31 December 2018
Opening balance	236.801	171.218
Foreign exchange differences in monetary assets	26.122	65.583
Purchases during the year	-	-
Disposals through Sales and Redemptions	-	-
Value decrease equivalent (-)	-	-
<b>Period end balance</b>	<b>262.923</b>	<b>236.801</b>

**h. Information on investments in associates (Net):**

None. (31 December 2018: 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 2018: None).

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

None. (31 December 2018: 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
2	Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary:	Istanbul/Turkey	100,00	-
	- 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 (DFSI) on 10 October 2018 in order to start its liquidation process and to cancel its license, license cancellation was approved on 20 November 2018 and the liquidation process of the company is still ongoing.

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

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

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
<b>1</b>	3.243.350	376.287	155.400	287.250	-	39.384	35.860	-
<b>2 (*)</b>	177.790	147.526	2.675	28.626	11	22.299	(2.192)	-

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

6. Movement schedules of consolidated subsidiaries:

	31 December 2019	31 December 2018
<b>Balance at the beginning of the Period</b>	<b>381.091</b>	<b>256.972</b>
<b>Movements during the Period</b>	<b>142.637</b>	<b>124.119</b>
Purchases	100.000	116.000
Bonus Shares Obtained	-	70.000
Dividends from Current Year Income	61.683	33.668
Sales	-	-
Revaluation Increase/Decrease (*)	(19.046)	(95.549)
Impairment Provision	-	-
<b>Balance at the end of the Period</b>	<b>523.728</b>	<b>381.091</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the end of the Period (%)</b>	<b>99,99%</b>	<b>99,99%</b>

(\*) Includes the data before consolidation procedures.

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

Subsidiaries	31 December 2019	31 December 2018
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	453.279	265.572
Finance Companies	-	-
Other Financial Subsidiaries	70.449	115.519
<b>Total</b>	<b>523.728</b>	<b>381.091</b>

(\*) Includes data given prior to consolidation applications.

8. Subsidiaries quoted on stock exchange:

None (31 December 2018: None).

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

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

j. Information on joint ventures:

None. (31 December 2018: None).

k. Information on lease receivables (net):

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

	31 December 2019		31 December 2018	
	Gross	Net	Gross	Net
Less than 1 year	898.754	679.943	931.200	749.438
Between 1-4 years	1.981.806	1.493.095	1.866.713	1.506.211
More than 4 years	698.379	770.093	585.877	543.411
<b>Total</b>	<b>3.578.939</b>	<b>2.943.131</b>	<b>3.383.790</b>	<b>2.799.060</b>

l. Information on derivative financial assets:

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

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Forward Transactions	10.508	939	19.713	4.002
Swap Transactions	112.328	69.496	177.441	225.372
Futures Transactions	2	-	-	-
Options	317	3.561	611	54.092
Other	-	-	-	-
<b>Total</b>	<b>123.155</b>	<b>73.996</b>	<b>197.765</b>	<b>283.466</b>

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

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	432.335	4.787	636.228	28.740
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>432.335</b>	<b>4.787</b>	<b>636.228</b>	<b>28.740</b>

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

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

**m. Information on tangible assets:**

	<b>Immovables</b>	<b>Motor Vehicles</b>	<b>Other Tangible Assets</b>	<b>Total</b>
<b>31 December 2018</b>				
Cost	27.672	2.824	89.794	120.290
Accumulated depreciation (-)	3.922	588	52.043	56.553
<b>Net book value</b>	<b>23.750</b>	<b>2.236</b>	<b>37.751</b>	<b>63.737</b>
<b>31 December 2019</b>				
Net book value at beginning of the period	23.750	2.236	37.751	63.737
Additions	3.556	165.028	147.271	315.855
Disposals (-), net	-	2.259	699	2.958
Impairment	-	-	-	-
Depreciation (-)	1.335	15.455	38.642	55.432
Revaluation Increase	1.240	-	-	1.240
Cost at Period End	32.468	165.593	230.829	428.890
Accumulated Depreciation at Period End (-)	5.257	16.043	85.148	106.448
<b>Closing Net Book Value at Period End</b>	<b>27.211</b>	<b>149.550</b>	<b>145.681</b>	<b>322.442</b>

	<b>Immovables</b>	<b>Motor Vehicles</b>	<b>Other Tangible Assets</b>	<b>Total</b>
<b>31 December 2017</b>				
Cost	25.947	12.853	86.325	125.125
Accumulated depreciation (-)	3.447	1.486	48.092	53.025
<b>Net book value</b>	<b>22.500</b>	<b>11.367</b>	<b>38.233</b>	<b>72.100</b>
<b>31 December 2018</b>				
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
<b>Closing Net Book Value at Period End</b>	<b>23.750</b>	<b>2.236</b>	<b>37.751</b>	<b>63.737</b>



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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 2019	31 December 2018
Gross Book Value	112.307	104.863
Accumulated Depreciation (-)	73.483	59.860
<b>Net Book Value</b>	<b>38.824</b>	<b>45.003</b>

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

	31 December 2019	31 December 2018
<b>Beginning of the Period</b>	<b>45.003</b>	<b>47.308</b>
Internally Generated Amounts	1.270	-
Additions due to Mergers, Transfers and Acquisitions	6.187	10.774
Disposals (-)	5	960
Amount Accounted under Revaluation Reserve	-	-
Impairment (-)	-	-
Impairment Reversal	-	-
Amortisation (-)	13.631	12.119
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
<b>End of the Period</b>	<b>38.824</b>	<b>45.003</b>

o. Information on investment properties:

None (31 December 2018: None).

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(Continued):**

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

**p. Information on deferred tax asset:**

As of 31 December 2019, the Group has netted-off the calculated deferred tax asset of TL 158.801 (31 December 2018: TL 193.273) and deferred tax liability of TL 92.957 (31 December 2018: TL 176.516) on the basis of company in accordance with “TAS 12” and has recorded a net deferred tax asset of TL 65.844 (31 December 2018: TL 22.960 net deferred tax asset and TL 6.203 net deferred tax liability) in the financial statements.

As of 31 December 2019 and 31 December 2018, the accumulated temporary differences and the detail of the deferred tax assets/liabilities are as follows:

	Accumulated Temporary Differences		Deferred Tax Assets/Liabilities	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Carried Financial Loss	-	247.448	-	54.264
Provision for Legal Cases	14.170	9.535	3.117	2.053
General Provisions and Other Provisions	592.599	563.440	130.372	123.957
Reserve for Employee Rights	26.178	17.869	5.759	3.904
Unearned Revenue	58.504	30.847	12.871	6.786
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	37.427	-	554	-
Other	27.860	10.583	6.128	2.309
<b>Deferred Tax Assets</b>	<b>756.738</b>	<b>879.722</b>	<b>158.801</b>	<b>193.273</b>
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	17.442	28.549	3.840	3.843
Valuation Differences of Derivative Instruments	396.852	781.690	87.307	171.971
Other	8.221	3.397	1.810	702
<b>Deferred Tax Liabilities</b>	<b>422.515</b>	<b>813.636</b>	<b>92.957</b>	<b>176.516</b>
<b>Deferred Tax Assets/(Liabilities) (Net)</b>	<b>334.223</b>	<b>66.086</b>	<b>65.844</b>	<b>16.757</b>

The deferred tax asset/liability summary is as follows:

	31 December 2019	31 December 2018
<b>Balance as of 1 January</b>	<b>16.757</b>	<b>(19.382)</b>
Current year deferred tax income/(expense), net	23.435	(36.916)
Deferred tax charged to equity, net	25.652	73.055
<b>Balance at the End of the Period</b>	<b>65.844</b>	<b>16.757</b>

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(Continued):**

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

**r. Information on assets held for resale and discontinued operations:**

The Group has assets held for resale amounting to TL 409.415 (31 December 2018: TL 113.385) and has no discontinued operations.

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Prior Period</b>		
Cost	113.895	45.662
Accumulated Depreciation (-)	510	567
<b>Net Book Value</b>	<b>113.385</b>	<b>45.095</b>
<b>Current Period</b>		
Net book value at beginning of the period	113.385	45.095
Additions	332.839	77.305
Disposals (-), net	35.370	8.146
Impairment (-)	1.439	869
Depreciation (-)	-	-
Cost	409.843	113.895
Accumulated Depreciation (-)	428	510
<b>Closing Net Book Value</b>	<b>409.415</b>	<b>113.385</b>

**s. Information on other assets:**

Other assets amount to TL 220.030 (31 December 2018: TL 238.243) and does not exceed 10% of the total assets excluding off-balance sheet commitments.

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES:**

**a. Information on deposits:**

1. Information on maturity structure of deposits:

i. 31 December 2019:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months - 1 year	1 year and over	Accumulated Deposit	Total
Saving Deposits	49.770	-	439.397	2.225.553	15.482	67.162	282.974	40	3.080.378
Foreign Currency Deposits	380.732	-	722.709	6.163.650	149.637	78.931	61.293	-	7.556.952
Residents in Turkey	361.783	-	702.950	6.078.883	147.360	75.909	54.677	-	7.421.562
Residents Abroad	18.949	-	19.759	84.767	2.277	3.022	6.616	-	135.390
Public Sector Deposits	43.782	-	-	-	-	-	-	-	43.782
Commercial Deposits	93.533	-	103.879	188.649	11.428	54.188	146	-	451.823
Other Institutions Deposits	2.213	-	4.046	43.871	-	-	-	-	50.130
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	20.910	-	148.507	53.383	-	-	-	-	222.800
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	344	-	148.507	-	-	-	-	-	148.851
Foreign Banks	20.566	-	-	53.383	-	-	-	-	73.949
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>590.940</b>	<b>-</b>	<b>1.418.538</b>	<b>8.675.106</b>	<b>176.547</b>	<b>200.281</b>	<b>344.413</b>	<b>40</b>	<b>11.405.865</b>

ii. 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	Accumulated 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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>298.662</b>	<b>-</b>	<b>1.040.368</b>	<b>6.462.634</b>	<b>1.328.475</b>	<b>250.314</b>	<b>534.847</b>	<b>-</b>	<b>9.915.300</b>

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**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 2019	31 December 2018	31 December 2019	31 December 2018
<b>Saving Deposits</b>				
Saving Deposits	1.268.116	931.241	1.812.262	2.660.173
Foreign Currency Savings Deposit	622.528	321.901	3.996.749	3.158.476
Other Deposits in the Form of Savings Deposits	-	-	-	-
Foreign Branches’ Deposits Under Foreign Authorities’ Insurance	-	-	-	-
Off-shore Banking Regions’ Deposits Under Foreign Authorities’ Insurance	-	-	-	-
<b>Total</b>	<b>1.890.644</b>	<b>1.253.142</b>	<b>5.809.011</b>	<b>5.818.649</b>

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 2019	31 December 2018
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	10.890	9.119
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	-	-
<b>Total</b>	<b>10.890</b>	<b>9.119</b>

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

None (31 December 2018: None).

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

**c. Information on borrowings:**

1. Information on banks and other financial institutions:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
The CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	212.492	336.008	128.809	219.470
From Foreign Banks, Institutions and Funds	16.287	4.485.343	-	6.512.328
<b>Total</b>	<b>228.779</b>	<b>4.821.351</b>	<b>128.809</b>	<b>6.731.798</b>

2. Information on maturity structure of borrowings:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Short-term	103.779	1.229.361	128.809	1.327.061
Medium and Long-term	125.000	3.591.990	-	5.404.737
<b>Total</b>	<b>228.779</b>	<b>4.821.351</b>	<b>128.809</b>	<b>6.731.798</b>

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 2019, deposits and borrowings from Group's risk group comprise 1,4% (31 December 2018: 0,24%) of total deposits. Besides this, borrowings from Group's risk group comprise 75,4% (31 December 2018: 67,28%) of subordinated and other borrowings.

**d. Information on marketable securities issued:**

None (31 December 2018: None).

**e. Information on other foreign liabilities:**

Other foreign liabilities amounting to TL 687.272 (31 December 2018: TL 1.110.644) do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

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

**f. Information on lease payables:**

	31 December 2019		31 December 2018	
	Gross	Net	Gross	Net
Less than 1 year	8.892	6.288	-	-
Between 1-4 years	15.023	13.162	-	-
More than 4 years	123.731	99.518	-	-
<b>Total</b>	<b>147.646</b>	<b>118.968</b>	-	-

**g. Information on derivative financial liabilities:**

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

Trading Derivative Financial Liabilities	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Forward Transactions	6.963	1.247	113.297	1.618
Swap Transactions	47.041	87.983	83.558	40.991
Futures Transactions	10	-	-	-
Options	18	3.319	-	49.461
Other	-	-	-	-
<b>Total</b>	<b>54.032</b>	<b>92.549</b>	<b>196.855</b>	<b>92.070</b>

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

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	66.656	11.257	59.902	10.371
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>66.656</b>	<b>11.257</b>	<b>59.902</b>	<b>10.371</b>

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

**h. Information on provisions:**

1. 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 2019, the payment amount which is one month’s salary for each working year is restricted to TL 6.379,86 (31 December 2018: TL 5.434,42). 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:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Discount rate (%)	3,26	4,07
Salary increase rate (%)	8,50	11,50
Average remaining work period (Year)	11,60	11,40

Movement of reserve for employment termination benefits during the period:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Prior Period End Balance	14.517	12.478
Service cost	2.875	2.878
Interest cost	1.926	1.242
Settlement cost	578	240
Actuarial loss/gain	2.646	(325)
Benefits paid (-)	2.901	1.996
<b>Total</b>	<b>19.641</b>	<b>14.517</b>

In addition, as of 31 December 2019 the Group has accounted for vacation rights provision and personnel bonus provision amounting to TL 33.099. (31 December 2018: TL 32.260).



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

2. Other provisions:

i. 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 there is no the provision related to foreign currency differences of foreign indexed loans. (31 December 2018: TL 26).

ii. Information on other provisions:

The Group has set aside under other provisions amounting to TL 14.170 (31 December 2018: TL 9.535) for lawsuits, TL 24.141 (31 December 2018: TL 35.017) for provisions for non-cash loans that are not converted to cash and are not indemnified. There is no provision for miscellaneous receivables in the current period (31 December 2018: TL 334).

**i. Information on taxes payable:**

1. Information on tax provision:

As of 31 December 2019, corporate tax provision is TL 10.459 (31 December 2018: TL 2.246).

2. Information on taxes payable:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Corporate Tax Payable	10.459	2.246
Taxation of Marketable Securities	10.601	9.727
Property Tax	76	78
Banking Insurance Transaction Tax	8.451	9.150
Foreign Exchange Transaction Tax	241	-
Value Added Tax Payable	574	535
Other	6.156	4.096
<b>Total</b>	<b>36.558</b>	<b>25.832</b>

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

3. Information on premium payables:

	31 December 2019	31 December 2018
Social Security Premiums-Employee	1.620	1.404
Social Security Premiums-Employer	1.825	2.023
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	103	90
Unemployment Insurance-Employer	208	181
Other	-	40
<b>Total</b>	<b>3.756</b>	<b>3.738</b>

4. Explanations on deferred tax asset/liability:

As of 31 December 2019, the Group has netted-off the calculated deferred tax asset of TL 158.801 (31 December 2018: TL 193.273) and tax liability of TL 92.957 (31 December 2018: TL 176.516) on a company basis in accordance with “TAS 12” and has recorded a net deferred tax asset of TL 65.844 (31 December 2018: TL 22.960 net deferred tax asset, TL 6.203 net deferred tax liability) in the financial statements.

**j. Information on payables for assets held for resale and discontinued operations:**

None (31 December 2018: 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 2019		31 December 2018	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.797.925	-	1.599.472
Other Foreign	-	-	-	-
<b>Total</b>	-	<b>1.797.925</b>	-	<b>1.599.472</b>

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
<b>Debt Instruments Subject to Common Equity</b>	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
<b>Debt Instruments Subject to Tier 2 Equity</b>	-	1.797.925	-	1.599.472
Subordinated Loans	-	1.797.925	-	1.599.472
Subordinated Debt Instruments	-	-	-	-
<b>Total</b>	-	<b>1.797.925</b>	-	<b>1.599.472</b>

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

**I. Information on shareholders’ equity:**

1. Presentation of paid-in capital:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Common Stock	1.535.000	1.535.000
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:

<b>Capital System</b>	<b>Paid-in Capital</b>	<b>Ceiling</b>
Registered Capital	1.535.000	4.000.000

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

None

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 2019		31 December 2018	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Controlled Partnerships (Joint Ventures)	-	-	-	-
Valuation Difference	5.674	(2.321)	(8.303)	(8.999)
Foreign Currency Translation Difference	-	-	-	-
<b>Total</b>	<b>5.674</b>	<b>(2.321)</b>	<b>(8.303)</b>	<b>(8.999)</b>

9. Information on tangible assets revaluation reserve:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Movables	-	-	-	-
Immovables	20.713	-	19.610	-
Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales Income from Immovables (*)	1.413	-	1.413	-

(\*) Classified under other capital reserves.

10. Information on distribution of prior year's profit:

According to the General Assembly meeting decision on 29 March 2019, the loss amounting to TL 12.584, including the effects of TAS 27 and TFRS 9 has been deducted from statutory reserves.

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(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:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Foreign currency buy/sell commitments	174.661	557.476
Forward securities commitments	71.731	77.343
Commitments for cheques	71.523	74.242
Loan limit commitments	31.061	-
<b>Total</b>	<b>348.976</b>	<b>709.061</b>

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:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Letter of guarantees	1.800.732	1.686.184
Other guarantees	839.294	145.330
Letter of credits	624.297	385.116
Bank acceptance loans	214.924	103.337
<b>Total</b>	<b>3.479.247</b>	<b>2.319.967</b>

ii. Revocable, irrevocable guarantees, contingencies and other similar guarantees:

	<b>31 December 2019</b>		<b>31 December 2018</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Irrevocable letters of guarantee	600.097	485.135	516.187	407.282
Revocable letters of guarantee	90.696	4.664	7.141	37.908
Letters of guarantee given in advance	8.294	287.252	4.485	225.758
Guarantees given to customs	32.342	70.385	25.205	63.836
Other letters of guarantee	23.476	198.391	43.657	354.725
<b>Total</b>	<b>754.905</b>	<b>1.045.827</b>	<b>596.675</b>	<b>1.089.509</b>

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**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 2019	31 December 2018
Non-cash loans given against cash loans	1.043.071	530.183
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	1.043.071	530.183
Other non-cash loans	2.436.176	1.789.784
<b>Total</b>	<b>3.479.247</b>	<b>2.319.967</b>

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

	31 December 2019				31 December 2018			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>5.615</b>	<b>0,74</b>	<b>54.454</b>	<b>2,00</b>	<b>2.816</b>	<b>0,47</b>	<b>5.547</b>	<b>0,32</b>
Farming and Livestock	5.386	0,71	51.456	1,89	2.587	0,43	5.547	0,32
Forestry	-	0,00	-	0,00	-	0,00	-	0,00
Fishing	229	0,03	2.998	0,11	229	0,04	-	0,00
<b>Manufacturing</b>	<b>201.774</b>	<b>26,73</b>	<b>1.735.867</b>	<b>63,72</b>	<b>136.589</b>	<b>22,88</b>	<b>789.236</b>	<b>45,81</b>
Mining	50.222	6,65	96.429	3,54	64.282	10,77	183.117	10,63
Production	97.847	12,96	1.622.087	59,54	64.774	10,85	601.206	34,90
Electric, Gas, Water	53.705	7,11	17.351	0,64	7.533	1,26	4.913	0,29
<b>Construction</b>	<b>135.029</b>	<b>17,89</b>	<b>424.250</b>	<b>15,57</b>	<b>114.034</b>	<b>19,10</b>	<b>466.943</b>	<b>27,10</b>
<b>Services</b>	<b>368.870</b>	<b>48,86</b>	<b>468.787</b>	<b>17,21</b>	<b>297.399</b>	<b>49,81</b>	<b>422.773</b>	<b>24,54</b>
Wholesale and Retail Trade	102.754	13,61	141.425	5,19	30.865	5,17	106.608	6,19
Hotel and Food Services	2.315	0,31	14.216	0,52	469	0,08	627	0,04
Transportation and Telecommunication	41.845	5,54	38.524	1,41	23.209	3,89	14.743	0,86
Financial Institutions	171.203	22,68	139.463	5,12	220.587	36,94	174.788	10,15
Real Estate and Leasing Ser.	28.948	3,83	109.694	4,03	18.256	3,06	126.007	7,31
Professional Services	18.437	2,44	22.467	0,82	18	-	-	-
Education Services	2.070	0,27	-	-	2.070	0,35	-	-
Health and Social Services	1.298	0,17	2.998	0,11	1.925	0,32	-	-
<b>Other</b>	<b>43.617</b>	<b>5,78</b>	<b>40.984</b>	<b>1,50</b>	<b>46.248</b>	<b>7,75</b>	<b>38.382</b>	<b>2,23</b>
<b>Total</b>	<b>754.905</b>	<b>100</b>	<b>2.724.342</b>	<b>100</b>	<b>597.086</b>	<b>100,00</b>	<b>1.722.881</b>	<b>100,00</b>

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	728.433	813.388	12.733	227.439
Bank Acceptances	-	214.924	-	-
Letters of Credit	-	623.284	-	-
Endorsements	-	-	-	-
Securities Issuance Guarantees	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	839.294	-	-
<b>Total</b>	<b>728.433</b>	<b>2.490.890</b>	<b>12.733</b>	<b>227.439</b>

(\*) In addition to non-cash loans stated above, the Group has non-cash loans classified as non-performing loans, amounting to TL 19.752. As of 31 December 2019, the Group has allocated provisions amounting to TL 6.104 provision regarding these risks.

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III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Continued):

b. Information on derivative financial instruments:

	31 December 2019	31 December 2018
<b>Types of Trading Transactions</b>		
<b>Foreign currency related derivative transactions (I)</b>	<b>13.841.701</b>	<b>19.232.344</b>
Currency forward transactions	533.938	1.421.759
Currency swap transactions	10.714.671	10.303.913
Futures transactions	8.382	-
Options	2.584.710	7.506.672
<b>Interest related derivative transactions (II)</b>	<b>7.185.168</b>	<b>8.973.928</b>
Forward rate agreements	-	-
Interest rate swaps	7.185.168	8.973.928
Interest rate options	-	-
Interest rate futures	-	-
<b>Other trading derivative transactions (III)</b>	<b>-</b>	<b>-</b>
<b>A. Total trading derivative transactions (I+II+III)</b>	<b>21.026.869</b>	<b>28.206.272</b>
<b>Types of hedging transactions</b>	<b>5.787.046</b>	<b>6.729.625</b>
Fair value hedges	-	-
Cash flow hedges	5.787.046	6.729.625
Foreign currency investment hedges	-	-
<b>B. Total hedging related derivatives</b>	<b>5.787.046</b>	<b>6.729.625</b>
<b>Total derivative transactions (A+B)</b>	<b>26.813.915</b>	<b>34.935.897</b>

c. Information on contingent assets and contingent liabilities:

As of 31 December 2019, the total amount of legal cases against the Group is TL 59.243 (31 December 2018: TL 56.407) and the Group sets aside a provision of TL 14.170 (31 December 2018: TL 9.535) regarding these risks.

d. Brief information on the Bank’s rating given by International Rating Institutions:

FITCH (12 November 2019)

<b>Outlook</b>	Stable
<b>Long Term FC</b>	B+
<b>Short Term FC</b>	B
<b>Long Term TL</b>	BB-
<b>Short Term TL</b>	B
<b>Support Rating</b>	4
<b>National Rating</b>	AA (tur)
<b>Viability Rating</b>	b



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IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT:

a. Information on interest income:

1. Information on interest income on loans :

Interest Income on Loans (*)	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Short-term Loans	511.056	64.195	579.951	38.019
Medium/Long-term Loans	395.094	536.658	503.958	527.758
Interest on Loans Under Follow-up	6.835	-	3.759	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>912.985</b>	<b>600.853</b>	<b>1.087.668</b>	<b>565.777</b>

(\*) Includes fee and commission income related with cash loans.

2. Information on interest income on banks:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
From the CBRT	7.778	-	58.205	-
From Domestic Banks	37.541	867	14.496	1.076
From Foreign Banks	-	7.498	-	4.757
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>45.319</b>	<b>8.365</b>	<b>72.701</b>	<b>5.833</b>

3. Information on marketable securities:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Financial Assets Measured at Fair Value Through Profit/Loss	270	1.255	791	675
Financial Assets Measured at Fair Value Through Other Comprehensive Income	35.971	7.249	29.503	6.601
Financial Assets Measured at Amortized Cost	-	11.386	-	10.724
<b>Total</b>	<b>36.241</b>	<b>19.890</b>	<b>30.294</b>	<b>18.000</b>

4. Information on interest income received from investments in associates and subsidiaries:

None (31 December 2018: None).

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**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):**

**b. Information on interest expense:**

1. Information on interest expense on borrowings:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
<b>Banks</b>	<b>31.001</b>	<b>359.682</b>	<b>33.242</b>	<b>350.081</b>
The CBRT	-	-	-	-
Domestic Banks	31.001	1.475	33.242	2.127
Foreign Banks	-	358.207	-	347.954
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	<b>14.102</b>	-	<b>15.952</b>
<b>Total (*)</b>	<b>31.001</b>	<b>373.784</b>	<b>33.242</b>	<b>366.033</b>

(\*) Includes fee and commission expense related with cash loans.

2. Information on interest expense given to investments in associates and subsidiaries:

None (31 December 2018: None).

3. Information on interest expense on issued securities:

None (31 December 2018: None).

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			
<b>TL</b>									
Bank Deposits	-	328	-	-	-	-	-	328	449
Savings Deposits	-	65.612	390.950	38.522	24.365	86.588	-	606.037	634.827
Public Deposits	-	-	-	-	-	-	-	-	250
Commercial Deposits	-	13.237	37.745	4.613	7.873	3.212	-	66.680	82.375
Other Deposits	-	5.513	34.549	10	297	-	-	40.369	19.621
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>84.690</b>	<b>463.244</b>	<b>43.145</b>	<b>32.535</b>	<b>89.800</b>	-	<b>713.414</b>	<b>737.522</b>
<b>FC</b>									
Foreign Currency Account	-	14.040	132.109	11.059	2.707	10.977	-	170.892	252.577
Bank Deposits	-	1.777	-	-	-	-	-	1.777	8.148
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>15.817</b>	<b>132.109</b>	<b>11.059</b>	<b>2.707</b>	<b>10.977</b>	-	<b>172.669</b>	<b>260.725</b>
<b>Grand Total</b>	-	<b>100.507</b>	<b>595.353</b>	<b>54.204</b>	<b>35.242</b>	<b>100.777</b>	-	<b>886.083</b>	<b>998.247</b>

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**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):**

**c. Information on dividend income:**

	31 December 2019	31 December 2018
Financial Assets at Fair Value through Profit/Loss	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	2.769	700
Other	-	-
<b>Total</b>	<b>2.769</b>	<b>700</b>

**d. Information on trading loss/income (Net):**

	31 December 2019	31 December 2018
<b>Income</b>	<b>31.474.903</b>	<b>34.557.609</b>
Capital Market Transactions	20.427	7.082
Derivative Financial Transactions	172.591	208.598
Foreign Exchange Gains	31.281.885	34.341.929
<b>Loss (-)</b>	<b>31.434.463</b>	<b>34.485.786</b>
Capital Market Transactions	4.538	4.636
Derivative Financial Transactions	145.863	211.011
Foreign Exchange Losses	31.284.062	34.270.139
<b>Net Income/(Loss)</b>	<b>40.440</b>	<b>71.823</b>

**e. Information on other operating income:**

The Group’s other operating income in the current period is TL 55.554 (31 December 2018: TL 37.227). TL 7.816 (31 December 2018: TL 2.951) 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.

**f. Expected loss provisions and other provision expenses:**

	31 December 2019	31 December 2018
<b>Expected Credit Loss</b>	<b>305.589</b>	<b>259.205</b>
12 Month Expected Credit Loss (Stage 1)	(9.948)	40.330
Significant Increase in Credit Risk (Stage 2)	111.468	(58.979)
Non-performing Loans (Stage 3)	204.069	277.854
<b>Marketable Securities Impairment Expense</b>	<b>-</b>	<b>-</b>
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	-	-
<b>Investments in Associates, Subsidiaries and Joint Ventures Value Decrease</b>	<b>-</b>	<b>-</b>
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
<b>Other</b>	<b>2.067</b>	<b>356</b>
<b>Total</b>	<b>307.656</b>	<b>259.561</b>

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**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):**

**g. Information related to other operating expenses:**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Reserve For Employee Termination Benefits (*)	5.707	5.564
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	357
Amortization Expenses of Fixed Assets	55.432	11.118
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	13.631	12.119
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	1.439	869
Amortization Expenses of Assets Held for Resale	-	-
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	139.932	142.658
Leasing expenses related to TFRS 16 exceptions	2.579	33.317
Maintenance Expenses	6.425	3.302
Advertising Expenses	7.968	3.138
Other Expense	122.960	102.901
Loss on Sales of Assets	2.185	22
Other	31.599	37.149
<b>Total</b>	<b>249.925</b>	<b>209.856</b>

(\*) As of 31 December 2019, there is “Employee Vacation Fee Provision Expense” amounts to TL 328 (31 December 2018: TL 1.079).

**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 171.032 (31 December 2018: TL 209.064 income before tax).

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

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):**

**i. Information on provision for taxes from discontinued and continuing operations:**

The Group has no discontinued operations, 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 2019, the Group has current tax expense amounting to TL 59.129 and deferred tax income amounting to TL 23.435.

2. Explanations on deferred tax income or expense arising from the temporary differences occurred or have been closed:

The Group has TL 164.412 deferred tax income from temporary differences, TL 51.789 deferred tax expense from carried financial loss. The deferred tax expense due to the closing of temporary differences amounts to TL 89.188, netting off to TL 23.435 deferred tax income.

3. Information on recognition of deferred tax income or expense, temporary difference, financial loss, diminution of tax expense and exceptions on income statement:

As of 31 December 2019, the Group has TL 75.224 (31 December 2018: TL 89.434 deferred tax expense) deferred tax income arising from temporary differences and TL 51.789 deferred tax expense as a result of financial loss. (31 December 2018: TL 52.518 deferred tax income).

**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 related to financial statement items significantly affects profit/loss or has the probability of affecting the profit/loss of following periods, the effect including these periods:

None.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (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 2.413.070 (31 December 2018: TL 2.547.733) and TL 400.603 (31 December 2018: TL 444.320) of the related amount is classified as “Other Interest Income” account in income statement.

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Other Interest Income</b>		
Interest income related to derivative transactions	334.117	397.011
Other	66.486	47.309
<b>Total</b>	<b>400.603</b>	<b>444.320</b>

2. In the current period, the Group’s interest expense amounting to TL 1.600.423 (31 December 2018: TL 1.817.901) and TL 290.787 (31 December 2018: TL 410.348) of the related amount is classified as “Other Interest Expense” in the income statement.

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Other Interest Expense</b>		
Interest expense related to derivative transactions	241.304	357.984
Other	49.483	52.364
<b>Total</b>	<b>290.787</b>	<b>410.348</b>

3. In the current period, the Group’s fee and commission income amounts to TL 50.455 (31 December 2018: TL 50.170) and TL 23.582 (31 December 2018: TL 26.801) of the related amount is classified under “Other” account.

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Other Fees and Commissions Received</b>		
Insurance Commissions	7.137	7.898
Accounting Operating Fees	4.390	2.066
Commissions on Investment Fund Services	2.576	558
Commissions from Stock Brokerage Activity	1.080	1.251
Commissions received from Correspondent Banks	607	666
Transfer Commissions	519	619
Investment Consultancy Fees	503	5.106
Commissions From Brokerage Activity in Istanbul Stock Exchange	491	692
Card and POS Transaction Commission	141	182
Common Point Commissions	102	84
Other	6.036	7.679
<b>Total</b>	<b>23.582</b>	<b>26.801</b>

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**(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT**

**(Continued):**

In the current period, Group’s fees and commissions expense amounts to TL 17.493 (31 December 2018: TL 18.006) and TL 17.332 (31 December 2018: TL 17.710) of the related amount is classified under “Other” account.

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Other Fees and Commissions Given</b>		
EFT Commissions	2.003	1.013
Card Transaction Commission	1.984	2.007
Commissions Granted to Correspondent Banks	1.692	1.411
Common Point Clearing Commissions	491	393
Stock Exchange Contribution Expenses	392	947
Transfer Commissions	101	153
Other	10.669	11.786
<b>Total</b>	<b>17.332</b>	<b>17.710</b>

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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 2019.

**b. Information on distribution of profit:**

According to the decision of the Parent Bank held at the Ordinary General Assembly Meeting held on 29 March 2019; While adapting TAS 27 Standard, the profit of 2018, TL 161.759 was not distributed, the amount was allocated as legal reserves and extraordinary reserves.

**c. Information on capital increase:**

There is no change in the capital structure of the Group in 2019.

**d. Information on valuation differences of marketable securities:**

“Unrealized gains and losses” arising from changes in the fair value of securities classified as fair value through other comprehensive income 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 2019		31 December 2018	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	5.674	(2.321)	(8.303)	(8.999)
Foreign Currency Difference	-	-	-	-
<b>Total</b>	<b>5.674</b>	<b>(2.321)</b>	<b>(8.303)</b>	<b>(8.999)</b>

**e. Information on revaluation differences of tangible and intangible assets:**

The reversal from revaluation reserve to their fair value for immovables amounting to TL 1.103 increase net of tax (31 December 2018: TL 1.535 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:**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Cash</b>	<b>2.053.698</b>	<b>1.131.675</b>
Cash, Foreign Currency and Other	156.316	52.078
Demand Deposits in Banks	1.897.382	1.079.597
<b>Cash Equivalents</b>	<b>596.366</b>	<b>130.469</b>
Interbank Money Market	9.000	11.000
Time Deposits in Bank	587.366	119.469
<b>Total Cash and Cash Equivalents</b>	<b>2.650.063</b>	<b>1.262.144</b>

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:**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Cash</b>	<b>1.669.296</b>	<b>2.053.698</b>
Cash, Foreign Currency and Other	142.396	156.316
Demand Deposits in Banks	1.526.901	1.897.382
<b>Cash Equivalents</b>	<b>696.115</b>	<b>596.366</b>
Interbank Money Market	557.969	9.000
Time Deposits in Bank	138.146	587.366
<b>Total Cash and Cash Equivalents</b>	<b>2.365.411</b>	<b>2.650.063</b>

**a. 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 737.667 TL (31 December 2018: negative TL 674.475) 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 negative TL 707.654 (31 December 2018: positive TL 193.489) and consist of changes in other liabilities and miscellaneous payables.

As of 31 December 2019, the effect of change in foreign exchange rate on cash and cash equivalents is calculated as approximately positive TL 28.636 (31 December 2018: positive TL 190.537).

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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 2018 for balance sheet and income statement items.

31 December 2019	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
<b>Groups’ Risk Group</b>						
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	-	10.792	-	149.865	166	87
Balance at the End of the Period	-	39.591	-	35.560	98	-
<b>Interest and Commission Income Received</b>	-	-	7	8	21	1

31 December 2018	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
<b>Groups’ Risk Group</b>						
<b>Loans and Other Receivables</b>						
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
<b>Interest and Commission Income Received</b>	-	-	-	-	23	-

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
<b>Deposit</b>						
Beginning of the Period	-	-	11.951	6.357	12.172	24.791
End of the Period	-	-	147.223	11.951	15.264	12.172
<b>Interest Expense on Deposits</b>	-	-	6.324	8.973	1.319	1.713

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
<b>Repurchase Transactions</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
<b>Interest Expense on Repurchase Transactions</b>	-	-	-	-	-	-

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**VII. EXPLANATIONS AND NOTES RELATED TO GROUP’S RISK GROUP (Continued):**

- 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
<b>Fair value through other comprehensive income transactions</b>						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	<b>3.351</b>	-	-	-
<b>Transactions for hedging purposes</b>						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

**b. With respect to the Group’s risk group:**

- The relations with entities that are included in the Group’s risk group and controlled by the Group regardless of whether there is a transaction between parties:

The Group performs various transactions with related parties during its banking activities. These are commercial transactions realized with market prices.

- Along with the type of relationship, 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:

	<b>Total Risk Group</b>	<b>Share in Financial Statements (%)</b>
Borrowings and Subordinated Debt Instruments	5.162.456	75,39
Deposits	162.487	1,42
Non-cash Loans	75.151	2,16
Banks and Other Financial Institutions Loans	6.459	1,12
Loans	98	-

As of 31 December 2019, the Group has TL 2.608 interest income from deposits given to banks included in the risk group (31 December 2018: TL 2.987), the Group has realized interest expense amounting to TL 239.639 (31 December 2018: TL 232.158) on loans borrowed from the banks included in the risk group.

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

**BURGAN BANK A.Ş.**

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019**

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

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

**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 0,43% (31 December 2018: 0,99%) of the Group’s total cash and non-cash loans.

As of 31 December 2019 there are no purchase-sales transactions on any assets including real estate with the risk group consisting the Parent Bank.

As of 31 December 2019 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 28.323 (31 December 2018: TL 24.066) which constitutes of the sum of other benefits including yearly gross salaries and other payments and travel, meal aids, health and life insurances and vehicle 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 of the Parent Bank:

	Number	Employee number			
Domestic Branch	35	943			
			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.

**IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS:**

None.

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

**BURGAN BANK A.Ş.**

**EXPLANATIONS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019**

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

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**SECTION SIX**

**OTHER EXPLANATIONS**

**I. OTHER EXPLANATIONS RELATED TO THE GROUP’S OPERATIONS**

None.

**SECTION SEVEN**

**EXPLANATIONS ON INDEPENDENT AUDIT REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDIT REPORT**

The consolidated financial statements as of 31 December 2019 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) and the independent auditor’s audit report dated 10 February 2020 has been presented prior to the consolidated financial statements.

**II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR:**

None.