2019
Annual Report

BURGAN BANK

Contents

Cover: Ebru (water marbling) work by Cemal Uzun (Burgan Bank).

Contact Information and Declaration

Reporting Period	1 January 2019 - 31 December 2019
Company Name of the Bank	Burgan Bank A.Ş.
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This report is prepared in accordance with the Regulation on the "Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by Banks" published by the Banking Regulation and Supervision Agency, and is comprised of the following sections.

Section One	GENERAL INFORMATION
Section Two	CORPORATE GOVERNANCE PRACTICES
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The accompanying consolidated and unconsolidated financial information, which is expressed in thousands of Turkish lira, unless otherwise stated, has been drawn up based on the Bank's records in accordance with the Regulation on the Principles and Procedures for Accounting Practices by Banks and Retention of Records, Turkish Accounting Standards, Turkish Financial Reporting Standards and the notes and comments in relation thereto, and has been independently audited.

10 February 2020

Emin Hakan EMINSOY
Chairman of the
Board of Directors

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

Ümit SÖNMEZ
Vice General Manager of
Finance

Ahmet CIĞA
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

Section One

General Information

Corporate Profile

Burgan Bank capitalizes on the extensive regional service network of its principal shareholder to produce permanent value for its customers and to deliver accurate and fast solutions to be used in the commercial relations of Turkish companies in the countries in that geography.

The main focus of Burgan Bank is customer satisfaction. The Bank's strategy prescribes profitable and healthy growth.
Burgan Bank offers services with its 943 employees out of 35 branches in 14 cities where economic and commercial activity is most concentrated in Turkey.

Burgan Bank has set itself the goal of being the "solution partner for its customers". Operating in all banking segments, Burgan Bank reaches an extensive customer group in the corporate, commercial and retail banking segments, and delivers high-quality and high added-value products and services.

Its subsidiaries that are engaged in financial leasing (Burgan Leasing) and investment banking services (Burgan Securities) business lines function as complementary financial products for Burgan Bank and produce synergic cooperation.

Moving forward with the strength derived from its dedication to banking ethics, particularly integrity, transparency, accountability and reliability, Burgan Bank prioritizes quality and customer orientation. The goal of the Bank is to establish and foster long-term relations with its stakeholders within the context of its service cycle.

The majority shareholder of Burgan Bank is strongly positioned in the Middle East and North Africa.
Burgan Bank K.P.S.C., Burgan Bank's majority shareholder, is the youngest private capital commercial bank in Kuwait and is also the country's second largest bank in terms of asset size. Burgan Bank K.P.S.C. commands a strong position in the Middle East and North Africa (MENA) region and is a player with strong ambition in the global economy.

Burgan Bank takes advantage of its shareholder's extensive regional service network to generate permanent added value for its customers and to offer right and fast solutions for Turkish companies in their commercial relations with the countries in the region.

Burgan Bank's strategy dictates establishment of long-term relations with its customers concurrently with profitable and healthy growth.
As of 31 December 2019, Burgan Bank had TL 18,893 million in total assets, TL 13,816 million in loans and TL 11,563 million in deposits. The Bank's stand-alone and consolidated capital adequacy ratios stood at 21.27% and 18.95% respectively at the end of the year.

35 branches

Burgan Bank offers services with its 35 branches throughout Turkey.

Vision

To be the best of class financial service provider in Turkey through sustained execution of best practice, innovation and stakeholder care.

Mission

Burgan Bank is your financial partner, forming a relationship with you based on integrity and trust, to provide expert specialist financial and investment solutions that help your business and personal wealth grow.

Goals

To maximize value for all our stakeholders (clients, personnel and shareholders) by building on Burgan Bank's three pillars of client delight and care, leveraging its operational and technological capabilities and nurturing our staff. Our stakeholders value must be consistent, growth-oriented and accomplished in the spirit of the corporate governance framework.

Corporate Values

Being Us

- We support each other as Burgan family.
- We work in harmony.
- We listen to each other's views and respect different opinions.
- We are open to one another; we act with fairness.

Dynamism

- We consider change as an opportunity; we comply with the changing circumstances quickly.
- We make quickly implementable decisions; we produce creative and practical solutions.
- We make a difference with alternative points of views.

To Win

- We take target-oriented actions; we set challenging goals.
- We make efforts for reaching the better; we do not give up against challenges.
- We always appreciate the efforts for reaching success.
- We efficiently use our resources while reaching our goals.

For more information about Burgan Bank Group, please visit the website or scan the QR code on your mobile device's browser.

Milestones from 1989 until 2019

1989

Founded and began operations under the name of Tekfen Yatırım Finansman Bankası A. Ş.

2012

Burgan Bank K.P.S.C. became the majority shareholder acquiring 99.26% share.

1989

Founded under the name of Tekfen Yatırım Finansman Bankası A.Ş., the Bank quickly became one of the sector's leading banks in corporate and investment banking.

2001

Providing services from a single branch until 2001, the Bank decided to implement an expansion strategy and deployed its knowledge in the area of commercial banking; the same year, it acquired Bank Ekspres, a midsize commercial bank.

2007

Tekfen Group and Eurobank EFG entered a partnership; following the completion of legal requirements, the Bank was renamed Eurobank Tekfen A.Ş.

2012

Burgan Bank K.P.S.C. (former Burgan Bank S.A.K.) acquired the shares in the Bank that had been held by Eurobank and Tekfen Holding on 21 December 2012, and became the majority shareholder with a 99.26% stake. Following the completion of legal amendments, the name of the Bank was changed to Burgan Bank A.Ş. with effect from 25 January 2013.

2013

Burgan Bank had substantially completed the restructuring of its infrastructure and human resources in accordance with its new shareholder's banking strategy, illustrating that it was prepared to achieve efficient and effective growth in its loan volume at a rate above the sector's average.

2016

Outpaced the sector's growth once again.

2019

Kept building on its all-around support to customers.

2014

Burgan Bank's loan and deposit volume outgrew the sector average by a large margin. The Bank achieved a sustainable profit and steady growth.

2015

The year 2015 marked a new milestone for Burgan Bank on its road map which is focused on sustainable growth and profitability.

2016

Burgan Bank has revealed its healthy financial structure and growth potential by achieving a rate of growth that exceeded the sector's average once again.

2017

Burgan Bank sustained its healthy growth, and also began taking steps towards fulfilling the requirements of the digital age and competition in the business lines in which it offers services with its initiatives in digital banking.

2018

Displaying a performance that fully overlaps with its sustainable and profitable growth strategy and targets, Burgan Bank materialized its intensive work in digital banking, and produced permanent value for its stakeholders.

2019

Burgan Bank built on its all-around support to customers and continued to generate value and enhance stakeholder satisfaction in all business lines.

About Burgan Bank Group

Burgan Bank K.P.S.C. is an affiliate of the KIPCO Group (Kuwait Projects Company), one of the leading and pioneering groups in the Middle East and North Africa (MENA) region, and was established in Kuwait in 1977.

Burgan Bank Group is one of the key banking groups operating in the MENA region.

Besides Kuwait, Burgan Bank Group is active in Algeria (Gulf Bank Algeria), Iraq (Bank of Baghdad) and Tunisia (Tunis International Bank) through the banking associates in which it is a majority shareholder.

Burgan Bank Group, which positions our country as a growth area and a leading international financial center, is focused on creating synergy by combining its robust capitalization, high level of liquidity, international recognition and banking experience with Turkey's strength.

Summary Financial Information for the Fiscal Year

(000 TL)	31 December 2019 (*)	31 December 2018 (*)	%
Total Assets	18,892,573	19,581,399	(3.5)
Loans and Factoring Receivables (Net)	13,023,574	14,085,758	(7.5)
Marketable Securities (Net)	619,094	633,184	(2.2)
Deposits	11,563,046	10,060,455	14.9
Funds Borrowed and Money Market Borrowings	4,292,849	6,084,567	(29.4)
Shareholders' Equity	1,919,275	1,875,980	2.3
Guarantees and Warranties	3,479,247	2,319,967	50.0
Capital Adequacy Ratio (%)	21.27	20.74	2.6
	(1 January 2019-31 December 2019)	**(1 January 2018-31 December 2018)**	**%**
Net Profit/(Loss) for the Period	138,554	161,759	(14,3)

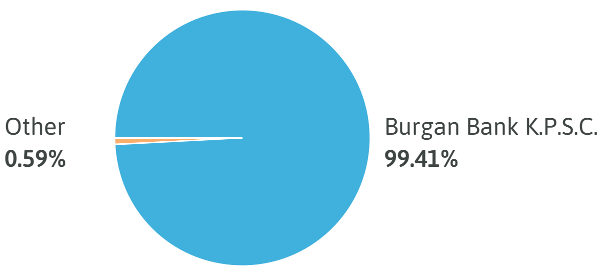
(*) In TL thousand based on unconsolidated financial statements

The Bank's Shareholding Structure, Changes in the Capital and Shareholding Structure During the Reporting Period, Titles and Stakeholding of Real Persons or Legal Entities with Qualified Shares

The Bank's paid-in capital is TL 1,535 million and the Bank has a capital ceiling of TL four billion as at year-end 2019.

The Bank's shareholding structure as of 31 December 2019 is presented below and there were no changes to the Bank's shareholder structure apart from the effect stemming from the capital increase.

Company Name	Share Amount (TL thousand)	Share %
Burgan Bank K.P.S.C.	1,525,972	99.41%
Other	9,028	0.59%
Total	1,535,000	100.00%



The Historical Development of the Bank, Amendments to the Articles of Association During the Reporting Period and Reasons Thereof

The Historical Development of the Bank, Amendments to the Articles of Association During the Reporting Period and Reasons Thereof

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 was authorized to 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 decision No. 91/2316 dated 22 September 1991, and "The Decree of Establishment Permission" was published in the Official Gazette issue 21017 dated 10 October 1991. The Articles of Association was published in the Trade Registry Gazette no. 2969 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 financial 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 each with a nominal value of TL 0.01 representing 99.46% of the capital of Bank Ekspres A.Ş., in which the SDIF was a shareholder and held the management control pursuant to the Banks Law, were sold and transferred to Tekfen Holding A.Ş. Based on this agreement, the acquisition of Tekfen Yatırım ve Finansman Bankası A.Ş., in which Tekfen Holding A.Ş. held 57.69% of the shares, 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 transfer took place on 26 October 2001 and the Bank's name was changed to Tekfenbank Anonim Şirketi (the "Bank"), in which Tekfen Holding A.Ş. had a shareholding interest of 57.30% and TST International S.A. 40.62%.

EFG Eurobank Ergasias S.A. ("Eurobank EFG") and Tekfen Holding A.Ş. ("Tekfen Group") signed an agreement on 8 May 2006, whereby Eurobank EFG would purchase Tekfen Group's 70% stake in Tekfenbank and also Tekfen Leasing, which was fully owned by Tekfenbank, and whereby Tekfen Group would retain its strategic partnership by keeping all of the 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 closing took place upon share transfer on 16 March 2007.

Based on the resolution adopted in the Extraordinary General Assembly Meeting convened on 25 December 2007, the name of the Bank was changed from Tekfenbank A.Ş to Eurobank Tekfen A.Ş. (the Bank) and it was registered with the Turkish Trade Registry on 11 January 2008.

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's shares held by Eurobank EFG Holding (Luxemburg) S.A. and 29.26% of the shares held by Tekfen Holding A.Ş. were purchased by Burgan Bank K.P.S.C. based on the BRSA permission dated 7 December 2012, and then 99.26% of the shares in the Bank were transferred to Burgan Bank K.P.S.C. on 21 December 2012.

At the Extraordinary General Assembly Meeting of the Bank convened on 23 January 2013, a resolution was adopted to change the name of the Bank from Eurobank Tekfen A.Ş. to Burgan Bank A.Ş. (the Bank), which was registered with the Turkish Trade Registry on 25 January 2013.

Chairman's Assessment of the Fiscal Year and Future Outlook

Hakan Eminsoy
Chairman of the Board of Directors

The Turkish economy left 2019 behind as a year of successful rebalancing.

Distinguished shareholders,

As trade wars and expansionary monetary policies steered the global economy in 2019, ...

The trade tension between the US and China and the resulting protectionist approaches that developed on a global scale were the main pressure factors on global economy in 2019. According to the UNCTAD data, 112 new legal arrangements were introduced in 55 countries as of year-end 2018, which were directed towards more effective protection of their domestic markets or national productions against external competition.

Geopolitical events constituted another main agenda item in the reporting period. Turkey's neighboring Middle East geography, the Syrian civil war that has been ongoing for years, other points of tension in the region, and the situation in Libya continued to be topics of concern for the global public opinion.

... growth outlooks of developed countries varied, ...

While the data released in the last period of 2019 in the US painted a relatively positive picture of the country's economy, the euro area produced a weak view also in the last quarter of 2019. While it was observed that the policymakers in China also adopted new measures to support the economy, the indicators from the other Asian countries hinted that growth displayed a stagnant course in general.

In the presence of this negative global outlook, mainly the Fed and the ECB and central banks of developed countries abandoned tight monetary policies as opposed to the anticipations at the start of the year, and returned to easing and supporting steps. In the process, while interest rates were curbed in an attempt to revive the weak market demand and investment environment, supportive fiscal policies and incentives were re-introduced. Throughout the year, it was observed that many developing countries espoused similar policies.

The synchronized slowdown in the world economy and the weaker global demand caused the International Monetary Fund (IMF) to revisit its growth projections. In October 2019, the IMF reduced the 2019 growth rate of the world economy by 0.3 percentage points to 3% from

In 2020

The best performer among the European economies in terms of the ratio of the public debt to the GDP, the Turkish economy is anticipated to display a growth that converges on its potential in 2020.

its April 2019 projection. The Fund revised its growth estimate once again in January 2020 and decreased it to 2.9%. This figure is the lowest global economic growth registered in the period from 2010 through 2019.

...and the Turkish economy recorded moderate recovery backed by a successful economic policy.

The Turkish economy left 2019 behind as a year of successful rebalancing.

The fluctuations in exchange, interest and inflation rates in 2018 and the stagnation that followed in domestic economic activity were overcome thanks to accurate and effective policies pursued in 2019.

In this period, during which monetary and fiscal policies supporting economic activity gained the foreground, weak domestic demand conditions, relatively stable course of the Turkish lira, high base effect, and moderate commodity prices reflected positively on inflation figures. In the face of improved consumer and producer inflation rates and global funding conditions that performed positively, the CBRT reduced the policy rate significantly from July onwards. This helped the Turkish economy, which had contracted on an annual basis from the last quarter of 2018, to recapture growth on an annual basis after an interruption of three quarters.

In this process, international risk premium of Turkey also improved quickly. After peaking amid the fragile environment of 2018, country risk premium declined as a result of the positive developments secured in 2019, and was down to the lowest level of the year on 30 December 2019.

Political and commercial gains achieved on the global arena also played a telling role in the recuperation witnessed in the Turkish economy. The active politics our country pursued in resolving the regional issues and the increasing efficiency in global trade, as well as the softening and positive developments in the relationships between the US and Turkey were the main highlights in this respect.

The best performer among the European economies in terms of the ratio of the public debt to the GDP, the Turkish economy is anticipated to display a growth that converges on its potential in 2020. In other words, it can be stressed that the highest growth achievable by developed countries will mark the minimum for our country, and anything above it will not be a surprise, either.

The anticipated adherence by the world's leading central banks and in particular by the Fed and the ECB to quantitative easing policies and the positive course of global liquidity conditions will support the 2020 economic performance of the national economy from the standpoint of financing terms. On the other hand, the CBRT might continue rate cuts for a little longer, in which case additional support might be lent to the economy through domestic demand and investments in 2020.

Geopolitical developments in our neighboring geography will remain as another topic that needs to be watched in the year ahead. In this context, both the Middle East and Libya are especially important due to their traditionally deep-rooted commercial and economic relationships with Turkey. Our economic actors possess experience and know-how in a broad array varying from large-scale contracting works to commerce and services in both regions. Permanent peace to be secured in these two geographies is critical with respect to protecting Turkey's natural and national economic interests. To this end, the developments in 2020 and thereafter will continue to take place among the telling factors of our business world and economic agenda.

At this point, I would like to note several considerations that I deem important, believing that Turkey will be cementing its presence as a key player in the global arena in the period ahead, based on its economic potential and the advantages offered by its geographical location.

Turkey is a key actor in the global energy atlas.

Serving as a natural bridge between Asia and Europe, our country strengthened its strong claim in the global energy market with the important initiatives it has realized and the policies it has pursued. Serving as an energy hub between the East and the West, Turkey also has a market with increasing demand as a prerequisite of the powerful and sustainable growth it achieves.

Geopolitical characteristics presented by our neighboring geography clearly show the extremely valuable competitive superiority handed by our country's position as an energy corridor, as well as the growth potential it presents

Turkey's logistical priority and strategic location within the energy atlas, coupled with the energy consumption capacity, were even more substantiated with the energy lines of critical importance that were realized in recent years. With its first phase opened in 2018 and completed in 2019, TANAP (Trans-Anatolian Natural Gas Pipeline), which brings the Azeri gas first into Turkish territory and then takes it beyond to Europe with the TAP (Trans-Adriatic Pipeline) connection, is a key project with a capacity of 16 billion cubic meters. Inaugurated in January 2020, the TurkStream project riveted our central role with respect to the natural gas that will be transported from Russia to the European countries. The TurkStream natural gas transportation starts from Russia, crosses the Black Sea and reaches Turkey. With the TurkStream Project, Turkey will receive 15.75 billion cubic meters of gas per year and will export the rest to Europe.

Geopolitical characteristics presented by our neighboring geography clearly show the extremely valuable competitive superiority handed by our country's position as an energy corridor, as well as the growth potential it presents.

Turkey is one of the major junctions of China's Belt and Road Initiative.

The China-led Belt and Road Initiative intended to revive the historic Silk Road is another international project whereby the strategic and logistic importance of our country is manifested. The Turkish geography has historically been a key stakeholder of this route and today, offers competitive advantages in a number of aspects, particularly with the rail transport, and is a focal point on the radar of global investors for its investment potential.

The first train on the Silk Railroad that uses the Baku-Tbilisi-Kars railroad to go from China to Europe made history by using Marmaray transit destination on 7 November 2019. We firmly believe that Turkey will continue to make a difference in its region on account of its logistic position and to increasingly take place in world and regional trade by capitalizing on its competitive advantages.

Within the scope of Turkey's authentic geographical location, it is envisioned that the new İstanbul Airport will also constantly grow its efficiency and become a key hub of the transit air traffic between the East and the West.

Our country is a global player in a number of sectors, equipped with competitive advantages and competencies.

Turkey also possesses a wealth of assets, competitive strength and potential that it has developed in a number of areas including the defense industry, the construction industry, informatics and automotive over the recent years, which were given additional momentum lately. As the defense industry emerges as an area which Turkey possesses vast experience in and placed extra focus on recently, the number of active projects in the sector and its added-value stemming from exports showed a remarkable rise.

Likewise, the construction industry is also a traditionally strong business line of our country, which authored significant achievements in the domestic and foreign markets. This line of business is also expected to present a significant potential in the years ahead. The deferred demand that was triggered by zoning arrangements in progress in a substantial part of Turkey and the earthquake preparedness policies will provide space for acceleration for the construction industry in 2020 and thereafter.

Turkey is powerful also with her well-structured banking sector that possesses a robust funding structure and competent human resource, and reached a globally competitive level with respect to digitalization. We are confident that our sector will amply provide the resources and added-value solutions necessary in the journey for turning the potential of Turkey and surrounding geography into performance, and will continue to be one of the determinants of growth.

Our industry kept extending the necessary support to the economy also in 2019.

The relative stagnation observed in domestic demand in 2019, declined credit demand and the high interest rates in the first half of the year were the factors that played a part on the growth performance of our sector.

On the other hand, the rate cuts implemented by the CBRT supported a marked increase in credit balances, particularly in the second half of the year. In this process, there was a shift towards TL-denominated loans. While TL-denominated loans in the sector rose by 14% in 2019, economic actors moved away from FX-denominated loans and the companies displayed stronger debt reduction tendencies.

While deposits acted as the main source of funding for the banking sector, overseas borrowings by banks slimmed down parallel to the relatively weak course of credit demand. On another front, our sector played a major role also in eliminating the effects the economic rebalancing process produced in the balance sheets of real actors. In this context, the support needed by the real sector was extended through restructurings by the sector, and the contribution to the economy gained speed further. The banking sector also maintained the strong level of its capital adequacy in 2019.

In 2020, our sector will sustain its growth in parallel with the projected acceleration of the Turkish economy and will be extending strong support to all aspects of economic activity.

Our Group's faith in the Turkish market is firm and its future focus and strategy are accurately defined.

Our shareholder Burgan Bank Group has thoroughly corroborated its strong faith in the Turkish market and investment once again in 2019. The Group's powerful, committed and sustained stance went way beyond words, and do continue with significant steps taken both in terms of material capital contribution and synergetic cooperation.

As we leave behind the seventh year of the Burgan Bank Group in the Turkish market, our shareholder is content with the experience it has acquired and the resulting Group-wide synergetic cooperation.

In 2020, we are determined to support our profitable growth and drive it further through new projects and initiatives. As our high-quality balance sheet composition remains a focal point that we will not yield, we will continue to accurately manage the leverage presented to us by our shareholders' equity with a risk-averse approach.

I am happy to share with you that the entire Burgan Bank family and in particular our professional management team outperformed our targets by displaying a high level of devotion and team spirit. We trust that the same tight-knit team will move forward authoring new achievements along the way guided by our Shareholder and Board of Directors.

On behalf of our Board of Directors and myself, I would like to present my respects to our customers, employees and all our stakeholders.

Hakan Eminsoy

Chairman of the Board of Directors

7. year

As we leave behind the seventh year of the Burgan Bank Group in the Turkish market, our shareholder is content with the experience it has acquired and the resulting Group-wide synergetic cooperation.

CEO's Assessment of the Fiscal Year and Future Outlook

Murat Dinç
CEO

The agile strategy and management approach we have embraced made it possible for us to complete 2019 as a successful operating year.

The Turkish economy successfully completed the rebalancing period.

During 2019, the course of the trade negotiations between the US and China, the anticipations revolving around Brexit, and geopolitical developments continued to act as the telling factors upon the performance of global markets.

As Asian economies continued to lose pace, the EU economies also failed to achieve the anticipated recuperation. In an environment of weak growth outlook and increased volatilities, leading central banks turned once again to loosening their monetary policies.

The International Monetary Fund (IMF) decreased its growth rate estimation for the world economy to 3% in October 2019, down by 0.3 points from its April 2019 estimation, and then revised it for the second time in January 2020 downward, on this occasion to 2.9%. This figure points at the lowest growth rate registered by the world economy between 2010 through 2019.

TL 21.5 billion

In 2019, Burgan Bank's total assets were registered as TL 18.9 billion on a stand-alone basis, and as TL 21.5 billion on a consolidated basis.

Following the fluctuation it has suffered in the last quarter of 2018, the Turkish economy had a year of rebalancing in 2019. The volatile exchange rates and elevated interest rates during the fluctuation period repressed economic activity, and the investment environment exhibited a stagnant outlook. Proactive approach and measures the regulatory authorities adopted against these developments stabilized the exchange rates quickly, while shifting inflation to a downturn.

On another front, the strong performance of some business lines such as the tourism sector, combined with Turkey's achievements in exports positively affected the markets, playing a big part in securing economic balancing. In the same process, the real sector and the banking sector successfully fulfilled their external debt payments.

Strong support from Burgan Bank to the real sector in the presence of accurate strategies

Throughout 2019, Burgan Bank tackled the business opportunities presented by the markets with a meticulous approach, reflected these opportunities in its performance, and kept producing shareholder value.

Our Bank strictly focused on risk management and sustained its support to companies from any sector and to its retail customers at an increasing extent with its robust product and service range.

Having designed its main strategy for 2019 around agility and correct and efficient capitalization on opportunities presented by the business environment, Burgan Bank also targeted to maximize its resilience against potential volatilities that can be generated by the markets. The Bank managed its liquidity, loans, provisions and guarantees with this aim in mind.

The agile strategy and management approach we have embraced made it possible for us to complete 2019 as a successful operating year.

2019: Healthy results, sustainable financial structure

Burgan Bank is an actor with a focus on real banking. Loans still constitute the largest part of our portfolio. Our lending demonstrates our support and contribution to the Turkish economy and the real sector.

Our lending activities backed by a correctly-structured collaterals pool helped us sustain our productivity and profitability in a well-balanced manner amid the stagnant environment of 2019.

On the other hand, Burgan Bank consolidated its high liquidity level through its deposit collection activities coupled with its performance in international borrowings in 2019. Our liquidity and our rationally devised capital structure presented us with the maneuvering space necessary to maximize our support to our customers throughout the year.

In 2019, while our funding structure was balanced optimally, Burgan Bank's interest margin was effectively managed, and the balance of income-to-expense ratio was carefully preserved. In the same process, another priority area for Burgan Bank has been to ensure maximum efficiency in the management of operating expenses. I would like to take this opportunity to share with you that we have secured significant gains as a result of our efforts to cut our operating expenses with the support of our lean and effective organizational structuring.

Painstaking provisioning policy remained as another area of importance for Burgan Bank within the context of balance sheet management. The Bank set aside the provisions it deemed to be necessary as part of fund allocations and taking into consideration the market conditions.

I am happy to state that owing to the prudent banking approach we have embraced, Burgan Bank finished the year with sustainable financial results and a healthy financial structure.

In 2019, Burgan Bank's total assets were registered as TL 18.9 billion on a stand-alone basis, and as TL 21.5 billion on a consolidated basis.

Cash loans constituted 78% of Burgan Bank's consolidated balance sheet. Our cash lending reached TL 13.8 billion according to our stand-alone financial statements and TL 16.8 billion on consolidated basis.

With 11% growth in our consolidated net interest income and 2% in our non-interest income, our total revenues went up by 10% year-over-year.

Burgan Bank carried on with its projects targeted at strengthening its digital infrastructure in 2019. Our digital banking initiatives produced valuable results especially on the part of deposit acquisition in 2019.

Burgan Bank posted TL 138.6 million in net profit in 2019. As of year-end, the Bank's unconsolidated capital adequacy ratio was 21.27%, remaining above the peer group and sector's average.

Our subsidiaries remain solid contributors to our gains.

Carrying out their operations on the basis of developing and diversifying the value we offer to customers in an all-around manner, our subsidiaries finished 2019 with successful financial results and contributed to our consolidated results.

Having prioritized operating lease activities along with renewable energy investments set as its target product in 2019, Burgan Leasing took steps to broaden its portfolio. Having attained its budget targets in terms of total business volume, leasing receivables and net profit, Burgan Leasing will sustain its growth being one of the leading actors in the sector. Having built itself a distinguished position on the back of its services that rely on high quality and objective information, Burgan Securities continued to offer service and produce added value for its customers with its technological infrastructure and its strategy focused on centralized sales organization.

Also in the period ahead, we will keep conducting our subsidiary strategy on the axes of profitability, productivity and growth. As we will be propping our stance in leasing and capital markets intermediation services by taking the right steps, our main targets in this respect will be to capitalize on cross-selling opportunities and to improve our subsidiaries' contribution to our revenue base.

We have reinforced our competence in basic banking services with innovations.

During 2019, Burgan Bank concentrated on new projects in various fields, and consolidated the value propositions to its customers.

As foreign trade intermediation segment has been the scene to one of the most remarkable gains of the year, Burgan Bank significantly increased its concentration and effectiveness in this area. Our reorganization carried our presence and assertion in this business line to a new level under the "customers' foreign trade consultant" concept. Although Turkey's foreign trade volumes showed a relative decline stemming from imports throughout 2019, Burgan Bank increased its foreign trade intermediation transactions volume and expanded the customer base it services in this area.

As we continue to fulfill the funding and product needs of our corporate and commercial banking customers through our robust service organization, project finance, international contracting works, foreign trade and the tourism sector came to the fore as our main areas of concentration. On another hand, we also continued to support our corporate and commercial customers with the treasury products and solutions that they need within the context of their trade and production cycles, as well.

Our retail banking concept is shaped around a focus on satisfying the need at its origin, in other words to extend support directly to trade. Our solution-oriented approach and the cooperations we are setting up with dealer networks/trade points, as well as our digital banking infrastructure that we keep improving constantly have been telling in this framework. In addition, our ongoing collaboration with PTT (Turkish Post) continued to act as yet another distribution channel serving to our target of goal-oriented retail lending.

While strengthening its presence in private banking, Burgan Bank increased the number of its customers at the same time. Taking place among the successful brands in the Turkish private banking segment in terms of service delivery competencies and richness of product range, our Bank was one of the top names among institutions offering the highest number of mutual funds to customers.

Insurance is another area we concentrate in, and our revenues in this business line registered a healthy growth.

We are getting stronger in digital banking.

Burgan Bank carried on with its projects targeted at strengthening its digital infrastructure in 2019.

Our digital banking initiatives produced valuable results especially on the part of deposit acquisition in 2019.

The Bank launched its digital transformation project in line with its target of increasing its efficiency and customers in digital banking. This project is intended to convert all the existing processes of Burgan Bank into processes that are much more efficient and that will increasingly contribute to our competitive strength, drawing from the possibilities enabled by digital infrastructure. On the other hand, it is considered that our customer experience project in progress, which mainly addresses retail customers, will make significant contributions to our efficiency in digital banking.

Burgan Bank's goal is to achieve increased market effectiveness and visibility in the digital banking business line in 2020.

"Burgan Stands by you" leaves 1 year behind.

Burgan Bank's promise to its employees is to be an employer that takes powerful strides along the growth path, that makes it a core principle to ensure cordial communication and gives the foreground to togetherness while providing its employees with a dynamic setting where they can reflect their energy and potentials. I am happy to state that our employee value propositions summed up in the slogan "Burgan Stands by you" successfully completed its first year in 2019. Training and development activities carried out under the project and our social exchanges helped us further build on our people's satisfaction and the value we offer to them.

Burgan Bank's target is to carry the brand story jointly built with the employees into the future with a candid approach, and improve it further.

As part of the initiatives aimed at supporting social life, Burgan Bank took place among the sponsors of İstanbul Night Flight concert series in 2019 for the first time. The Bank extended support to the performance of worldwide-famous Turkish and foreign artists in the fascinating atmosphere of Hagia Eirene, one of the top historic venues in İstanbul. The positive feedbacks received from our customers and employees confirmed the accuracy of this project we have undertaken for contributing to social life.

Our principal shareholder has complete faith in Turkey.

Burgan Bank Kuwait, a regional power in MENA and set apart with its successful performance, has complete faith in the Turkish market.

Burgan Bank Kuwait kept extending full support to Burgan Bank Turkey as it did in previous years. As of 31 December 2019, our shareholder had made available a long-term loan of USD 235 million and a subordinated loan of USD 300 million.

Considering Turkey as a market for growth, Burgan Bank Kuwait is committed to providing all the support and cooperation that will enable our growth in the year ahead.

In 2020...

In 2020, Burgan Bank plans to achieve a growth rate that is either in parallel with or slightly above the sector.

While digital banking, foreign trade, retail banking and private banking will remain as our areas of concentration, our main goals will be to increase the number of our customers and to constantly better our operating expenses.

In 2020, during which we anticipate that the growth performance of the Turkish economy will converge on its natural potential, we project that assets will increase in most asset classes, and the investment environment will get relatively more vibrant.

Burgan Bank will continue to grow with the support of its competent management team and human resource, coupled with strong shareholder support, and will focus on turning the potential offered by the markets into performance based on a meticulous approach to banking.

I would like to thank our customers, employees and shareholder, and all our stakeholders for their support and contributions, and to express my strong belief that our human resource, reputation and service platforms will bring us to much higher points in the future.

On behalf of Burgan Bank management team and myself, I would like to extend my thanks to all stakeholders who have played a part in our 2019 performance.

Yours sincerely,

Murat Dinç
CEO

An Overview of 2019

The Bank's equity base remained strong in 2019, supporting the growth. The capital adequacy ratio as at year-end stood at 21.27% on a stand-alone basis and 18.95% on a consolidated basis.

Highlights...

- Burgan Bank's stand-alone asset volume stood at TL 18,893 thousand by the end of 2019 while the consolidated figure was TL 21,547 thousand.
- The Bank's net stand-alone cash loans were recorded as TL 13,816 thousand while the consolidated figure was TL 16,807 thousand.
- As of year-end 2019, the share of cash loans in the balance sheet was 78% on a consolidated basis.
- Burgan Bank manages its credit risk with a careful and prudent approach. In 2019, the Bank preserved the robust collateral structure in parallel to the growth secured in loans.
- The share of the securities portfolio (net) to total assets remained low at TL 619 thousand on a stand-alone basis and at TL 619 thousand on the basis of consolidated financial statements.
- Burgan Bank continued to improve its deposit volume in 2019. The Bank's deposits increased to TL 11,563 million on a stand-alone basis and to TL 11,406 million on a consolidated basis. The growth rate was by 15% YoY in both of them. Deposits accounted for 61% and 53% of the balance sheet according to stand-alone and consolidated financial statements, respectively.
- The Bank's equity base remained strong in 2019, supporting the growth. The capital adequacy ratio as at year-end stood at 21.27% on a stand-alone basis and 18.95% on a consolidated basis.
- Operating income increased by 10% in 2019 thanks to improved net interest income and a healthy increase in non-interest income as well as continuing growth.
- Burgan Bank booked a net profit of TL 138,554 thousand as at year-end 2019.
- At year-end 2019 Burgan Bank had a physical service network of 35 branches and a total of 943 employees.

Sustainable contribution to the Turkish economy

Burgan Bank Loans Group quickly evaluates loan demands of customers in corporate and commercial segments, and produces solutions in close cooperation with the branches. In 2019, Burgan Bank continued to contribute to the economy through cash and non-cash loans.

Thanks to its speedy and dynamic business concept, Burgan Bank's cash loans volume reached TL 16.8 billion in 2019.

DEVELOPMENTS AND ACHIEVEMENTS BY BUSINESS LINES

CORPORATE BANKING

A year when foreign trade and cash management gained priority

While catering to its customers' financial needs, Burgan Bank Corporate Banking business line prioritized the necessary steps to implement the fastest and the most effective solution suggestions regarding foreign trade and cash management in 2019, and backed deposits and credit growth with services targeted at customers' cash flows.

Burgan Bank reproduced the all-around support it extends to its customers also in the effective management of financial risks gaining the foreground within the frame of changing market conditions and in exploration of opportunities. The Bank, being an integral part of corporate life, made sure that this vision is espoused by each and every one of its employees.

Expertise in the MENA region

During 2019, Burgan Bank kept sharing the advantages presented by its shareholder's strong organization in the MENA region in foreign trade business with its customers also in 2019, and also continued to expand its specialist team and correspondent network in a bid to sustain and further increase the efficiency in this area.

Offering the best practices in the financial services sector with a vision of being among the best-in-class service providers by constantly implementing innovation and services that contribute value to its stakeholders, Burgan Bank continued with the necessary investment, development and marketing activities in order to bring the most up-to-date financial solutions made available by advancing technology also in 2019.

Growing number of customers

As a result of the strategies pursued, the number of the Bank's customers kept increasing in line with the Bank's target to grow together with its customers. This increase was reflected also in the number of customers choosing Burgan Bank for loan, deposit, foreign trade and cash management products.

The synergy secured with the subsidiaries and other business lines in the Corporate Banking Segment was sustained also in 2019, cooperative efforts gave birth to projects that create value for customers, and new collaborations were established in various areas.

Burgan Bank Corporate Banking business line will continue to grow together with its customers also in 2020. Within the frame of effective risk management, the Bank is committed to producing need-based financial solutions, supporting the customers' needs both for their long-term projects and daily financing needs, and offering fast and reliable solutions in cash management and foreign trade via its expert team.

COMMERCIAL BANKING

Added value for the Turkish economy

Burgan Bank Commercial Banking business line allowed its customers to concentrate on their core businesses by maintaining its fast and solution-oriented stance within the frame of its customer-focused approach to service and with the support of its well-equipped workforce in 2019. The Bank kept providing added value for the Turkish economy with the products and services it offers in this segment.

Throughout the entire Commercial Banking service cycle, Burgan Bank targets to capture a share from a substantial portion of customers' financial transactions, to grow together with them, and to be one of their main banking partners. In this scope, the Bank focused particularly on foreign trade transactions, as well as cash and non-cash loans and deposits, and further improved its extensive correspondent network that will facilitate execution of international transactions and expanded its Correspondent Bank network over the previous years.

The Group's strong presence and service network in the MENA region, combined with its knowledge and experience regarding the said geography, support the target of being the main bank of customers.

One of the focal points that is a priority for Burgan Bank is to back customers' competitive strength both in domestic and international markets, and thereby offer them new opportunities; in summary, the Bank aims to build on customer relationships in a mutual and versatile manner.

TL 16.8 billion

Thanks to its speedy and dynamic business concept, Burgan Bank's cash loans volume reached TL 16.8 billion in 2019.

Advantageous solutions

Developed in keeping with the Bank's focus on responding to customer needs with tailored solutions, and included in the Bank's product range in December 2017, Commercial Banking Service Bundles were diversified in parallel with foreign trade customers' needs in 2019. Fees and commissions customers are charged for all their domestic or international banking transactions are gathered under bundles, generating cost advantages for customers.

It is intended to develop long-lasting and win-win customer relationships in commercial banking services by acting with a customer focus. As the Bank's sales teams make customers' commercial activities easier through medium and long-term loans, cash management

In its process and product developments throughout 2019, the Group aimed to satisfy the expectations of the targeted segment customers and to maximize customer satisfaction.

products bring convenience to companies' day-to-day activities.

In 2019, knowledgeable and experienced teams continued to respond to Burgan Bank's commercial customers' project-based credit demands. Customers' projects are designed with an approach paying regard to sectoral/seasonal characteristics and/or cash flow cycles. Putting special emphasis on risk management and preserving its strong collateralization in all circumstances, Corporate Banking achieved a growth in parallel with that of the sector in 2019.

In 2020, Burgan Bank will keep increasing its effectiveness in Commercial Banking. The Bank will continue to provide added value for the Turkish economy through the products and services focused on customer satisfaction, designed in response to needs and expectations in the financial markets.

CASH MANAGEMENT

Technology-focused products and solutions

Burgan Bank Cash Management Department intermediates Corporate and Commercial customers' collection and payment processes with technology-focused solutions structured according to customer demands.

During 2019, the Bank maintained its focus on new customer acquisition as well as achieving higher penetration with existing customers. Burgan Bank continued to contribute value to our customers' operations through various solutions including Customs Duty Collection via SMS.

The aim is to facilitate collections for customers through solutions such as DDS (Direct Debit System). In 2020, Burgan Bank will continue to offer innovative products and services in a bid to establish all-around and long-term customer relationship in the area of cash management.

FOREIGN TRADE SALES DEPARTMENT

Expert bank in foreign trade

In line with its target of being an expert bank in foreign trade, Burgan Bank carried on with its efforts to offer the most accurate solutions for exports and imports to its customers.

The Bank provides the foreign trade solutions that its customers need at advantageous costs. Besides conventional products, Burgan Bank supports its customers also with credit, cash management and treasury products designed with innovative approaches.

As exports came to the foreground in 2019, the Bank catered to exporters' needs for providing funding both from its own resources and also with CBRT and Eximbank-supplied credits. The Bank also made available alternative hedging solutions to its exporter customers penetrating new and risky markets.

Drawing on its robust capitalization, extensive correspondent network, international brand recognition, synergy with the Group banks and its expert team, Burgan Bank aims to sustain the momentum it has captured in foreign trade also in 2020. The Bank intends to be a strong solution partner for its customers also in foreign trade transactions based on its customer-oriented expert approach.

WEALTH MANAGEMENT

Targeting to upgrade customer satisfaction

Burgan Bank Wealth Management Group was structured to cater to all kinds of financial needs of its customers in the middle and upper income segments and in line with the target of "being one of the first banks that come to mind" with the reorganization undertaken in 2018.

In its process and product developments throughout 2019, the Group aimed to satisfy the expectations of the targeted segment customers and to maximize customer satisfaction.

Possessing an experienced and expert sales force in its own field, Wealth Management enhanced the existing customer satisfaction and acquired new customers in the targeted segments thanks to its broad range of products designed with a focus on customer needs and expectations, on knowing the customers more closely, and on fulfilling all kinds of financial needs on the basis of the in-depth banking relationship developed.

With the help of the plane ticket gift campaign organized in the second quarter of 2019, there was 24% increase in new customer acquisition ratio and 18% expansion in the total number of middle and upper segment customers in the same period.

In addition to offering an in-depth relationship management service at branches, the Wealth Management Group carries on with efforts for uninterrupted and complete execution of transactions through non-branch channels. As a result of these efforts, Private Banking customers are able to perform their transactions over the Private Banking Hot Line set up in 2019, without visiting a branch.

Within the scope of digital transformation, the customers are also provided with the capability to approve their capital market transactions via the Transaction Order and Result Form following the link sent to their mobile phones. In addition, the investment menu was also renewed along with the revamped Internet banking of Burgan Bank.

Growth in investment products

In 2019, the Wealth Management Group offered various mutual fund options to its customers interested in investing their Turkish lira and foreign currency savings in non-deposit products, which allow investing in domestic and overseas assets on the basis of collaborations the Bank established with various Asset Management Companies. Hence, customers' non-deposit assets grew by five folds as compared with 2018, and the treasury products transaction volume of the business line increased by 50%.

Saving up with the Güldüren account

The choice of customers wishing to deposit and withdraw money any time they want, while saving in various currencies, the Güldüren Savings Account's higher interest-rate period for new customers was reformatted with a variable rate aligned with market dynamics. As the Güldüren Savings Account becomes an increasingly preferred account by customers, the volume for this product increased by 41% on average year-over-year in 2019.

Taking its customers' needs and expectations into consideration, the Wealth Management Group introduced the Inflation-Indexed Deposit Account in 2019 for those wishing to put their savings into a long-term investment while protecting them against inflation at the same time. This product can be opened in maturities between 366 to 380 days, offers interim payment options and provides a committed interest rate added on a fixed long-term interest rate and the annual CPI rate of change.

Increased premiums in insurance products

In an effort to establish long-lasting relationships with its customers, Burgan Bank had executed an exclusivity agreement with NN Life and Pension insurance company in 2018. While both pension and life insurance products are delivered to customers in a speedy and easy manner within the scope of this collaboration, products responding to non-life insurance needs such as accident, liability, fire, etc. continued to be offered via contracted third party companies. In 2019, Burgan Bank grew the premiums in life and non-life policies by 11% on an annual basis.

+41%

As the Güldüren Savings Account becomes an increasingly preferred account by customers, the volume for this product increased by 41% on average year overyear in 2019.

Focused on contributing value to life

Aiming to bring advantages from within life to its customers, in addition to financial products and services, Burgan Bank sponsored the İstanbul Night Flight concert series. Within the scope of the series, music lovers were provided with the opportunity to enjoy the performances of the world's leading classical music artists in Hagia Eirene in İstanbul between May 25th and October 29th.

Burgan Bank Wealth Management Group intends to extend support to organizations that will allow it to support arts and artists, and to get together with its customers in these organizations also in 2020.

The Bank also rendered its mobile app compatible with Apple Watch in the last quarter of 2019, and began offering service to customers through all the channels they may need.

DIGITAL BANKING AND INFORMATION TECHNOLOGY

Digital banking products were offered on various platforms

In a bid to build the digital bank of the future, Burgan Bank set up the Digital Banking Group in 2017, and launched its credit product after all processes were digitalized end-to-end. While 2018 marked the introduction of the deposit product, 2019 saw the ratio of deposit customers acquired through the digital banking channel reach 32% of the number of the Bank's term deposit account customers.

In 2019, the Bank put into service the digitalized version of the Overdraft Saving Account opening process. Burgan Bank also carried out integration with business partners on various platforms with the objective of offering the credit product anywhere and anytime the existing and potential customers may need them, as well as banking channels, and successfully completed the initial initiatives.

Offering customer-focused service via its experienced team ever since day one, the Alternative Sales Channel team carried on with its healthy growth in 2019 through the loans disbursed via its rapidly expanding dealer network, direct sales teams uncompromising on quality service and the extensive PTT channel. In 2019, 54% of the Bank's total retail loans were extended via Alternative Sales Channels. Burgan Bank Alternative Sales Channels targets to keep acting as the engine of retail credit growth also in 2020.

The analytic studies of the Data Analysis and Modeling team helped increase the productivity and impact of the marketing activities. In 2020, marketing strategies tailored according to customer groups will continue on the basis of segmentation studies.

In 2020, the Bank targets to deliver its products and services based on a win-win approach and to increase the loyalty of its customer portfolio that is anticipated to expand rapidly. At the same time, the Bank will be focusing on the use of its banking services by more customers on more platforms by taking advantage of digital banking on the basis of diverse collaborations.

Digital Banking channels were revamped following digital banking products!

Burgan Bank, besides quickly improving its product range, totally revamped its Internet and mobile application channels based on branchless banking concept. User-friendly apps were designed as a result of analyses of user needs, and comprehensive user experience, interface and attitude testing. The Bank made a distinction through various features including shortcuts, smart guidance and voice search that will make things easier for customers, as well as basic transactions that can be performed on the digital channels of any bank. Following the introduction of the upgraded Burgan Bank Mobile App, the number of users grew by 35%.

The Bank also rendered its mobile app compatible with Apple Watch in the last quarter of 2019, and began offering service to customers through all the channels they may need.

Additionally, new features were added to the Customer Care Center channel infrastructure, which was upgraded last year. Accordingly, the self-service areas were increased, which contributed positively to customer satisfaction as well as efficient utilization of resources. Thanks to the developments made, average response time went well below the sector's average and customer satisfaction was enhanced.

On the back of continuous improvements and developments, Burgan Bank plans to promote its service delivery channels to a more competitive level and to enable customers to easily perform the banking transactions that they need via digital channels in 2020.

TREASURY AND CAPITAL MARKETS

Weakened global economic growth outlook

In 2019 financial markets have been fairly volatile due political and economical swings.

Although developed countries were expected to implement tight monetary policy in the first half of the year, tensions resulting from increased protectionist trade measures, tight global liquidity conditions and Brexit-related uncertainties resulted in weaker growth.. Thus, developed markets Central Banks have started thequantitative easing cycle in the second half of the year, impacting markets positively..

The downtrend of rates of developed markets stabilized as of September, and global stock indices displayed a positive outlook in 2019. Similarly, as economic growth and inflation were also the main focus of emerging markets central banks, they also started to loosen their monetary policies.

During 2019, capital inflows to emerging markets fluctuated due global policy uncertainties.

After the volatility in the first half of the year, the Turkish lira stabilized and appreciated against the US dollar while the country risk premium has plunged to its lowest value of the year.

Rates have also plummeted in domestic markets. Thanks to increased risk appetite globally, strong Lira and favorable base effects, inflation outlook has improved, taking CPI down by nearly 850 bps YoY to 11.84% by end-December.

An overview of loans and deposits

After decreasing in the first half of the year due to rising loan rates and the uncertainty stemming from local elections at the onset of the year, risk appetite began to recover in the second half of the year thanks to looser monetary policy and relaxed reserve requirements

Future implications of political obscurity

While the elimination of political obscurity in developed countries encourages optimism, these uncertainties will likely continue to pose a risk for financial markets until they are permanently resolved.

In 2020, Burgan Bank will continue to focus on managing balance sheet risk management and securing low-cost funding within the uncertain political environment and volatile monetary policy framework. The Bank will keep on conserving its liquidity and capital structure while optimizing profitability.

Solutions catering to customer needs in investment services and financial risk management

In 2019, Treasury Sales Department continued to offer solutions catering to financial risk management and investment needs of customers across all business segments, drawing on its experience and know-how in the areas of financial markets and financial risk management.

Amid an environment of declining return on deposits, Burgan Bank Treasury Sales team satisfied retail customers' needs for non-deposit treasury products in alignment with their risk profiles and return expectations, and kept delivering the most suitable risk management solutions to commercial and corporate clients.

+15%

Burgan Bank deposits increased to TL 11,563 million. The growth rate was by 15% YoY.

It is predicted that, in 2020, the possible geopolitical developments, the US presidential election, and probable developments linked to trade wars might cause notable swings in international markets. In this context, the potential fluctuations in exchange rates, interest rates and commodity prices might negatively affect the balance sheet and asset valuations of companies and individuals.

Burgan Bank Treasury Sales team will continue to develop optimum financial solutions for clients with its broad product offering that spans derivatives and fixed-income securities, and to respond befittingly to their pricing needs with a top-notch coverage while keeping a close eye on financial markets and political developments also in 2020.

Despite the rough market conditions, the Bank concentrated particularly on foreign trade and once again demonstrated its presence in this area by offering uninterrupted service to customers enabled by its strong correspondent network.

FINANCIAL INSTITUTIONS

Cooperation built on mutual trust

Having a long-established tradition in international Banking Burgan Bank successfully maintained and enhanced mutual relationships with financial institutions in 2019.

Despite the tough market conditions, the Bank concentrated its activities on trade finance and provided continuous support to its customers through the well established correspondent banks network.

In 2019, the Bank's foreign trade volume reached to USD 1.7 billion. Further strengthening its position as a bank specialized in trade finance products, Burgan Bank keeps itself as a reliable solution partner for its customers.

Financing Sources

Strong capability to secure overseas funds

In 2019, Burgan Bank secured funds worth of USD 384 million in total.

USD 235 million of this amount is a long-term funding received from the shareholder, while USD 149 million was obtained from international markets.

Due to the unfavorable international market terms -particularly price-wise, having robust liquidity and benefiting from the advantages of its strong shareholder structure, Burgan Bank pursued a strategy of selective borrowing from third parties in 2019.

Burgan Bank will continue to develop its cooperation with financial institutions, to provide its customers with accurate and reliable solutions for their trade finance transactions in 2020.

OPERATION AND MANAGEMENT SERVICES

During 2019, in keeping with the Bank's strategies, the Group remained true to productive and high-quality performance in:

- Branch Operations
- Central Operations
- Construction & Real Estate
- Fund Management and Securities Operations
- Security
- Administrative Affairs

Operation and Management Services Group realized projects for capturing the regulatory changes in the banking systems and initiatives focused on customer satisfaction throughout the year.

The Group carried out various activities to disseminate development-oriented perspective across all operation teams. As an extension of these activities, a new working platform was created by the name "Same Place, Different Us" for 2020, which will involve all operation teams and facilitate conception of innovative ideas.

All processes have been reviewed in line with the Bank's digitalization strategy, and transactions decided to be digitalized were included within the scope of the project.

STP Excellence award by KBC Bank N.V. was given to Burgan Bank in 2019 for 100% accuracy and high-quality payment level in commercial payments.

Reorganization was undertaken with the aim of being the customers' solution partner in foreign trade transactions, offering them technical support, and performing all their transactions quickly and at a high quality, under which a specialized and dedicated team was formed.

In line with the floor banking concept, some branches were renovated and new branches were introduced encompassing several branches on the same floor, creating synergy. Burgan Bank R&D Center site was designed and launched.

The main mission of the Operation and Management Team is defined as delivering the fastest and the highest quality service, and efforts in this vein will be ongoing in 2020.

HUMAN RESOURCES, ORGANIZATION AND CORPORATE COMMUNICATIONS

At the heart of Burgan Bank's vision, mission and goals lies its commitment to maximize the value contributed to its customers, employees and shareholders that make up its stakeholders.

The pivotal element helping Burgan Bank achieve its target of creating value is its corporate culture that has been founded upon the knowledge and experience accumulated throughout the years.

The key components of the corporate culture can be summed up as follows:

- An understanding that prioritizes fulfillment of customer needs and expectations above all else and that makes a difference,
- A fast, effective and target-oriented business conduct,
- A fair and transparent business relationship based on trust and integrity,
- A modern working atmosphere that fully respects human dignity.

Burgan Bank's corporate culture shapes its human resources practices.

Burgan Bank's corporate culture is embraced as the focal and reference point for organization and process management, talent acquisition and talent management, performance management, career and talent management, compensation and benefits management, labor relations, training and development management, which make up the basic functions of Human Resources.

Management trainees are being educated through Development Center Programs in order to reinforce the corporate culture and to raise the future management team of Burgan Bank. Competent new university graduates are trained and recruited with this approach mentioned above. In 2019, a total of 133 employees joined the Burgan Bank family, including the subsidiaries.

HR Policy, Burgan Bank Employer Brand Project and Employee Value Proposition

Burgan Bank aims to be an organization that is the priority choice of employees, that employees feel proud to belong to, that has goals and that shares its success with its people.

+133

In 2019, a total of 133 employees joined the Burgan Bank family, including the subsidiaries.

Enriching the existing working culture and experience is crucial for ensuring the sustainability of the preferred employer identity.

With the objectives of making sure that employees have a working experience that is aligned with the employer brand pledge, enriching the existing employee touch points and becoming an attractive workplace, the Employer Brand Project was launched in November 2017 and went live in October 2018.

The pledge of the employer brand is spelled out as "(to) be a boutique bank that sure-footedly grows, presents its employees with a dynamic environment to reflect their energy and potentials, makes candid communication its main principle and gives the priority to fellowship".

The Employee Value Proposition has been described as being in an organization where the bank makes its employees feel that it stands by them through all their experiences, and that envelops its employees with supportive and nurturing friendships and kindness that

The new practices introduced in connection with the Burgan Stands by You employer value proposition are intended to promote an enjoyable working environment and sense of belonging in the organization, and to support professional development and training.

help the employees thrive. The tag line of the Employer Brand was set as "Burgan Stands by You".

Touching its employees at four main points identified as "career, development, future and life", the Bank introduces practices that enrich the employee experience and boost employee engagement.

Burgan Bank Employer Brand Project completed its first year.

The new practices introduced in connection with the Burgan Stands by You employer value proposition are intended to promote an enjoyable working environment and sense of belonging in the organization, and to support professional development and training.

The questionnaire conducted at the end of the first year of the implementation indicated that progress was achieved in the topics mentioned below. The new practices put into life are as follows:

- The Co-pilot implementation designed to facilitate the adaptation of new hires to the organization
- Non-contributory private pension that financially supports investments in the future of employees
- Learning from One Another, an initiative whereby employees share their hobbies with each other in a bid to create synergy and a pleasant working environment.

Burgan Bank's human resources profile:

- The average age of employees at Burgan Bank is 38.
- Employees have an experience in the sector of 12 years and 7 months in average.
- 55% of the employees are women.
- 90% of employees hold an undergraduate or higher degree.

Banking technical know-how and skills

- Training and development activities at Burgan Bank are carried out as in-class and online trainings.
- Banking technical know-how and skills,
- Mandatory certifications,
- Orientation and on the job training programs.

A total of 24,012 hours of training were provided, with each employee receiving an average of 3 days' of training in 2019. 65% of the training hours were given by internal trainers.

With the Employer Brand, new topics were added to the Learning from One Another Program and employees continued to share their expertise with the teams. Within this scope, Photography and Paper Marbling Workshops and German Training Programs were organized.

Video training programs were added to the distant learning category in 2019. Contents on financial literacy and foreign trade prepared by expert internal trainers were captured in video format and made available for use by all employees. Distance learning and video training sessions made up 34% of total training hours.

"Corporate Coaching Program" was provided to volunteering employees. High-potential employees, on the other hand, were given support in the following fields:

- "Meet the Experience" mentoring program by mentors consisting of senior management team
- "Executive MBA" Programs from universities designated by the Bank
- "Development Center Implementation" to employees selected from branch sales teams

The 2019 HR figures suggest that Burgan Bank employees are young but experienced, very well educated and trained and have a balanced profile in terms of male and female population. Besides providing quality support to all of the Bank's departments at global standards, the Human Resources, Training and Organization Group also acts as Burgan Bank's strategic business partner.

Active role in holistic and strategic management of the communication process

The highlights of the activities carried out by the Corporate Communications Department in 2019 are presented below:

Product promotions were carried out and advertising activities were carried on to support the communication strategies of Burgan Bank and its subsidiaries.

Various sports and culture activities sponsored throughout the year helped strengthen brand recognition. In this context, the Bank became a sponsor of the İstanbul Night Flight concert series that brought the worldwide leading artists on the stage, and got together with approximately 9 thousand spectators in 2019.

The Employer Brand, which was implemented by Burgan Bank to enrich the existing employee culture and experience and to enhance employee satisfaction, completed its initial year. Numerous activities were carried out in the first year of the brand that was launched under the tag line Burgan Stands by You under the headings of career, development, future and life, and spontaneous surprise treats and inspiring speakers were turned into traditional events.

Targeting to stand by its employees in all departments of life, Burgan Bank realized numerous internal and external activities such as football, basketball, cycling events and tennis tournaments within the scope of Burgan Stands by You in Life. The Bank continued its sailing sponsorship in 2019 with the purpose of strengthening brand recognition and promoting employee engagement in teamwork.

Taking active part in numerous charity events and particularly in education, the Volunteers Club supports the making of a library in a school in Adıyaman, while the Running Club took part in the İstanbul Marathon as part of the TEGV (Educational Volunteers Foundation) team and contributed to the education of 47 students.

Burgan Life Magazine, which undertakes an important role in developing a holistic corporate culture, sharing individual and corporate achievements, and strengthening internal communication, continued to be published quarterly.

24,012

A total of 24,012 hours of training were provided, with each employee receiving an average of 3 days' of training in 2019. 65% of the training hours were given by internal trainers.

INTERNAL AUDIT DEPARTMENT

Audit activities based on a risk-focused and integrated approach

Internal Audit Department reports to Board Audit Committee through Internal Systems Executive Vice President.

Internal Audit Department consists of Finance, IT and Operational Processes Audit, Credit and Business Processes Audit and Quality Assurance Review teams. Internal Audit Department aims to enhance effectiveness and adequacy of risk management and internal control systems, safeguard the Bank's assets and ensure efficient use of resources and assure that the Bank fulfills its strategic goals.

Internal Audit Department reviews the Bank's as well as its subsidiaries' activities by adhering to International Standards for the Professional Practice of Internal Auditing, throughout an independent and risk-based perspective.

2019 Annual Audit Plan was successfully completed.

Within the scope of 2019 Annual Audit Plan, 8 branch audits, 15 process audits and 4 IT audits were performed. In addition to conventional branch audits, during the process audits, Internal Audit Department also reviews the effectiveness, efficiency and adequacy of first and second-level controls regarding branch activities. In addition, the Bank's subsidiaries and outsourced support service providers were audited. Board of Directors, Board Audit Committee and senior management were regularly informed of the results of audit activities.

Advisory services

Within the scope of advisory services, Internal Audit Department provided proactive support to activities enhancing risk management and internal control

Internal Audit Department continued to review and update its charter, procedure, audit methodology and reporting standards in line with the changes in regulations and international best practices.

systems in relation to launch of new products and services , in addition to the major projects that the Bank and its subsidiaries completed in 2019. Besides, Internal Audit Department provided advisory services within the scope of review of policies, procedures, job descriptions and handling of customer complaints.

A structure fully compliant with International Standards for Internal Auditing

According to the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (the Standards), activities of Internal Audit Department should be assessed at least once every five years by an independent expert, throughout a QAR (Quality Assurance Review) study.

According to Quality Assurance Review (QAR) studies conducted by Deloitte Consulting Firm in 2014 and Protiviti Risk and Business Consulting in 2016, it was concluded that Internal Audit Department conforms with the Standards.

Quality Assurance Review staff performs periodic internal reviews to assure that activities of Internal Audit Department are conducted effectively, efficiently, in compliance with the Standards and Code of Ethics and in a manner to add value to the organization.

In 2019, in line with the Standards, Internal Audit Department continued to encourage internal auditors to obtain International Certified Internal Auditor (CIA) and other professional certifications awarded by the Institute of Internal Auditors and other professional organizations. As of 2019 year-end, 8 of 17 Internal Audit Department employees hold at least one professional certification awarded by IIA or other professional organizations.

Continuous improvement in audit methodologies

In line with the new audit strategy launched in 2018 with the approval of the Board of Directors and the Board Audit Committee, Internal Audit Department allocates most of its resources to process audits .

With this new methodology, the Internal Audit Department, as the third line of defense, has the opportunity to better evaluate the efficiency, adequacy and effectiveness of the internal control environment of the Bank. The new strategy also aims to enhance the knowledge, skills and competence of Internal Audit Department staff. Accordingly, Branch Audit Unit and Head Office Audit Unit were reorganized under Finance, IT and Operational Processes Audit Department and Credit and Business Processes Audit Unit in 2019.

The Internal Audit Department reviewed its charter, procedure, audit methodology and reporting standards, in line with the changes in regulations and international best practices. Aiming to attain maximum use of technology for conducting effective audits, Internal Audit Department continued to invest in computer assisted audit techniques and data mining.

During the reporting period, Internal Audit Department provided support to audits conducted by BRSA auditors and Burgan Group Kuwait Internal Audit Department and maintained the coordination of external audits performed by the external audit company.

Activities carried out at the Bank's subsidiaries

Internal Audit Department oversees the audit activities at Burgan Leasing and Burgan Securities, conducted by these subsidiaries' internal audit and control functions, and provides necessary technical and advisory support.

In addition, Internal Audit Department performs regular process audits at these companies as they are already included in its audit universe, in line with the risk assessment results.

Activities to detect, prevent and deter fraud

During 2019, in addition to planned audit activities, Internal Audit Department conducted several examinations and special investigations. According to the "zero tolerance" attitude of the Board of Directors and the Board Audit Committee towards fraud, internal fraud suspicions are always investigated irrespective of the amount involved. External fraud cases and operational loss events above a a certain threshold amount are investigated.

Internal Audit Department has a dedicated 24/7 phone line and an e-mail address for reporting of tips regarding fraud, irregularities and corruption directly to Internal Audit Department.

During 2019, Internal Audit Department continued to provide trainings for the Bank's employees, about "Anti-Fraud and Forgery Awareness", on regular basis.

INTERNAL CONTROL DEPARTMENT

A structure servicing Burgan Bank and its subsidiaries

The mission of Burgan Bank's Internal Control Department (ICD) is to coordinate the relevant business units in order to establish an effective and adequate internal control system, design internal control activities concerning relevant banking operations, contribute to the improvement of the internal control system and carry out independent secondary control activities covering the main risks in the organization.

In 2019, the Internal Control Department carried out periodic and spot monitoring, inspection and control activities with a risk-based approach and sampling methodology both centrally and on-site (at branches and Head Office units) in line with the annual control plan. In 2019 on-site control activities were conducted at 30 branches as well as spot controls on 11 sub-processes at the Head Office.

Additionally, the Internal Control Department conducted specific process examinations and control activities for new products and services introduced to customers in 2019 and for rapidly developing and evolving channelsand activities, along with the potential risks that might result therefrom.

Based on the outcomes of its above mentioned activities during the year, the ICD carried out root cause analyses of frequently recurring findings, offered suggestions to the management of the related business units in an effort to improve the control environment and permanently resolve the relevant problems. ICD also followed-up on the required action plans.

Necessary work was carried out in relation to testing the first level controls of the relevant main banking and CoBIT (Information Technology) processes within the scope of Management Declaration study. The ICD additionally performed ICAAP validation study in 2019.

The ICD participated in the Business Continuity and Disaster Recovery tests which are regularly conducted every year.

The ICD also coordinates the internal control activities at Burgan Bank's subsidiaries. In addition, the Internal Control Department also coordinated the CMB reconciliations (concerning capital market instruments and cash held by customers) in 2019. Also, another regular work was carried out in coordination with the Group's Internal Control Center as part of the annual internal control review (ICR) conducted across the Burgan Bank Group, and the outcomes were reported to the Audit Committee.

30 branches

In 2019 on-site control activities were conducted at 30 branches as well as the spot controls on 11 subprocesses at the Head Office

Technological investments boosting efficiency

In 2019, new functions were added to the presentation panel in order to monitor and manage the findings and the recommendations resulting from Internal Control Department activities more systematically and efficiently and report them to the upper management. Additionally, investments continued to be made in necessary technology aimed at increasing the effectiveness of the control activities conducted by the ICD. Also the development of new additional control scenarios on the data analysis and reporting platform has been ongoing.

In addition to its activities scheduled for 2019, the ICD also carried out review and control activities regarding compliance with the Principles of Banking Ethics, Disciplinary Policy, and Code of Conduct of Bank Employees.

Self-Control Declaration Form (SCDF)

In 2019, the ICD continued to operate the SCDF practice, which is aimed at monitoring and evaluating the first level control activities performed by relevant Head Office and Branch employees. Accordingly, business units and branches responsible for conducting the first level controls submit monthly SCDF's to the ICD in relation to the key (main and critical) control points they perform and their outcomes.

The declaration of these controls is regularly analyzed for strengthening the Bank's internal control environment and increasing its operational efficiency. Also, the declaration forms are periodically tested and controlled in order to ensure effective running of first level controls.

Process and branch coordinator implementations

Targeted at close and concentrated monitoring of processes and branches, and thus improving and developing internal control system at Burgan Bank, the Process and Branch Coordinator implementation of ICD continued in 2019.

The coordinator controllers were assigned for each branches and main processes in order to ensure the continuous on-site and centralized supervision of the branches and processes via second level controls under the new implementation.

Support provided through consultancy and training activities

As part of its consulting activities, the ICD kept supporting the major Banking Projects launched in 2019 for improving processes associated with new products and services, increasing operational efficiency, and enhancing the effectiveness of the risk management and internal control.

As part of consultancy, opinions were provided regarding the updates and modifications made in existing and new internal guidelines (policies and procedures).

Besides Bank-wide training programs on "Anti-Fraud and Forgery" provided primarily to branch employees for improving awareness, the ICD, in coordination with the AML Compliance Unit, continued to provide seminars on "Anti Money Laundering, Know Your Customer and Combating the Financing of Terrorism" to branch employees during branch visits.

The ICD continued to encourage its employees to get local and international professional certifications awarded by;

- The Institute of Internal Auditors (IIA),
- Capital Market Licensing Registry and Training Agency (SPL) and
- other professional organizations.

In addition to its activities scheduled for 2019, the ICD also carried out review and control activities regarding compliance with the Principles of Banking Ethics, Disciplinary Policy, and Code of Conduct of Bank Employees.

COMPLIANCE DEPARTMENT

During 2019, the Compliance Department carried on with its activities; in tandem, also the Regulatory Compliance Unit and the AML Compliance Unit conducted various other activities.

The Regulatory Compliance Unit:

- Constituted working groups for major regulatory changes and monitored the Bank's compliance in this respect,
- Published regulatory amendments in periodic bulletins distributed across the Bank,
- Prepared memos on important regulations that were distributed to related business lines,
- Monitored the Bank's compliance risk using legislation follow-up module,
- Raised increased personal awareness of the regulatory framework by paying branch visits and preparing training presentations regarding the current regulatory changes.

The AML Compliance Unit:

Under the Laws on Prevention of Laundering Proceeds of Crime and Financing of Terrorism and related nationaland international legislation, the Unit continued to carry out compliance efforts, establish the Compliance Risk Culture with respect to the management of compliance risks the Bank may be exposed to, and to measure, assess, monitor and report risks to effectively manage Compliance Risks in 2019. Information about these activities is summarized below.

Training Activities

Initiatives were carried out to raise increased awareness of the Bank's employees of the prevention of laundering proceeds of crime and financing of terrorism, international sanctions and foreign accounts tax compliance laws (FATCA and CRS); accordingly, internal training was provided within the frame of the annual training plan. Additionally, level of awareness was increased through information notes, announcements and bulletins prepared in relation to current national and international developments, which were circulated simultaneously, thus driving the development of a shared culture around this topic.

Continuously Improved Monitoring Methodology

In order to satisfy the Bank's undertakings with respect to compliance, the AML Compliance Unit employs systemic capabilities to monitor the customer acquisition processes, customers' financial or non-financial transactions, contracting parties to support services where the Bank enters into a business relationship, correspondent banking relations and transactions, and control and monitoring activities for products, services and service channels. As part of the monitoring of customers and their transactions, related scenarios were developed and new specific review files were created using computer-assisted programs.

Activities Carried Out at the Bank's Subsidiaries

Consultancy was provided to the Bank's subsidiaries, namely Burgan Leasing and Burgan Securities, in relation to training, compliance policy and control activities.

Conformity to Group Standards

The AFCP (Anti-Financial Crime Program) activities carried out under the leadership of Burgan Bank Kuwait continued in 2019. Accordingly, the Group's policies and procedures were updated as necessary.

On the other hand, ACAMS AML Risk Assessment activities coordinated by Burgan Bank Kuwait continued.

New Projects and Implementations with Increased Efficiency

Burgan Bank's liabilities under the Foreign Accounts Tax Compliance Act (FATCA) and the Common Reporting Standards (CRS) introduced by the OECD, and its activities for compliance with the said legislation were monitored and branches were given consultancy. Customer acceptance, customer risk classification, periodic customer review, and cash approval mechanism projects were continued and procedures were updated.

Burgan Bank believes that fighting effectively against money laundering and financing of terrorism is an effort that compels collaboration with all employees, and the Bank acts accordingly

RISK MANAGEMENT

The Risk Management Group continued to work on ensuring compliance with national and international legislation and risk management best practices in 2019.

Implementation of the Internal Capital Adequacy Assessment Process (ICAAP) at the Bank and preparation of the ICAAP report have been coordinated.

The credit risk-related activities in 2019 included developing and implementing the corporate and commercial IFRS 9 model, monitoring the internal models, calculation of necessary parameters and coordination of model revisions with related parties, in addition to periodic internal and regulatory reports and analyses.

The existing analyses and reports were revised to encompass IFRS 9 initiatives, and monthly expected IFRS 9 provision figures and validation studies began to be reported to the Loan Provisions Committee.

Burgan Finansal Kiralama A.Ş. (Burgan Leasing)

In 2019, total assets of Burgan Leasing grew by 11% to TL 3.2 billion. The Company's capitalized leasing receivables reached TL 2.7 billion. Burgan Leasing booked a net profit of TL 39.4 million at end-2019 with a 10% year-on-year increase.

Sustainable, healthy and rapid growth

In 2019, total assets of Burgan Leasing grew by 11% to TL 3.2 billion. The Company's capitalized leasing receivables reached TL 2.7 billion. With these results posted, Burgan Leasing has maintained its tradition of outpacing the sector's growth. Burgan Leasing booked a net profit of TL 39.4 million at end-2019 with a 10% year-on-year increase.

During 2019, which was characterized by worldwide and frequent economic and political fluctuations, the Company successfully preserved its asset quality and kept growing without compromising on its robust credit allocation policy. On the other hand, Burgan Leasing displayed a proactive approach in the legal follow-up process and maintained its relations with problematic customers at maximum efficiency, and kept the ratio of its NPL portfolio to total assets below the sector's average.

Target products of 2019: Renewable Energy and Operating Lease

Burgan Leasing initiated operating lease activities upon identifying renewable energy investments as the target product of 2019, and focused on broadening its operating lease portfolio.

An analysis of the Company's financial leasing receivables portfolio based on commodity groups reveals that real estate gets the highest share with 51%. Burgan Leasing remains one of the pioneering companies in the sector with the experience and know-how it enjoys in the real estate sector.

In terms of the sectors, the Company will stand by companies investing in the real sector with a special emphasis on manufacturing and textiles. Burgan Leasing also intends to give increasing weight to customers heavily engaged in export activities.

New products by Burgan Leasing

Burgan Leasing's strategy is to penetrate the market by positioning itself in specific areas that call for extensive know-how and expertise, and to grow within the frame of this strategy while also adding new products to its portfolio. Under this approach, the company funded the renewable energy and operating lease transactions in 2019. The Company's sales policy is targeted at acquiring new customers, as well as deepening in existing customers through financial solutions developed for renewable energy, health, real estate, heavy-duty and construction machinery sectors, and the fleet rental services launched in 2019.

A key goal of Burgan Leasing in 2020 is to expand its customer base. The company will sustain its expansion in the financial leasing sector, driven by the strong support from its principal shareholder, the efforts of its competent human resource, and its robust financial structure. The Company intends to remain as the innovative firm in the sector. The Company will keep investing in its human resources and in information technology in this process that renders the digitalization in the sector inevitable.

Burgan Yatırım Menkul Değerler A.Ş. (Burgan Securities)

Based on the Turkish Capital Markets Association's data released in September 2019, Burgan Securities ranks 12th and 3rd in terms of the highest shareholders' equity and the highest paid-in capital, respectively,among 64 brokerage houses operating in Turkey.

The leading brokerage house in terms of technology andshareholders' equity

A leading player in the Turkish capital markets, Burgan Securities services all investor profiles -domestic, foreign, individual and institutional- in the areas of brokerage and corporate finance in capital markets with a customer- and service-oriented approach.

Based on Turkish Capital Markets Association's data released in September 2019, Burgan Securities ranks 12th and 3rd in terms of highest shareholders' equity and highest paid-in capital, respectively, among 64 brokerage houses operating in Turkey.

In 2018, Burgan Securities continued servicing its customers and stakeholders in line with an understanding giving priority to consistency and quality, based on a strategy that relies on technology and focused on centralized sales organization.

Burgan Securities continues to deliver brokerage services via experienced customer representatives, along with Internet branch and mobile app (burgantrade).

As a full scope brokerage house, Burgan Securities holds license to offer brokerage services, Discretionary Portfolio Management, Investment Advisory, Corporate Finance through Underwriting and Best Effort methods, and Limited Custody Services.

Quality and rapid service in brokerage activities

In 2019, Burgan Securities continued to provide brokerage services through various channels in organized markets such as the Equity Market, the Derivatives Market, Debt Instruments and the Takasbank (İstanbul Clearing, Settlement and Custody Bank Inc.) Money Market.

During 2019, Company launched the infrastructure to post live market data on its internet branch. In 2020, integration between Burgan Bank and Burgan Securities will be provided within the scope of order transfer, and Burgan Bank customers will be able to digitally open an account with Burgan Securities and trade in financial markets via Burgan Bank internet branch.

A vibrant year in corporate finance operations

Corporate finance is a business line in which Burgan Securities is experienced. Company kept offering consultancy services for various projects to its domestic and foreign customers in 2019. Company successfully closed sale of 50% of the shares of Parıltım Catering, one of Turkey's largest catering firms, to Newrest Group of France.

Burgan Securities offered intermediation service in getting the authorization for an issue limit of TL 3 billion for Burgan Bank's issuance of debt instruments for qualified investors in Turkey in April. Burgan Securities was granted an issue limit from the CMB for an issuance limit of TL 100 million for Structured Debt Instruments in October.

Burgan Securities organized visits to Kuwait in February and November, and held meetings with potential buyers and sellers.

BURGAN WEALTH - DUBAI

Burgan Wealth is in liquidation.

Information on the Bank's Personnel and Branch Number, Types of Services, Fields of Activities, and Evaluation of the Bank's Position in the Sector Based on These

With a total of 35 branches composed of 9 retail branches, one corporate branch and 25 mixed branches, along with the internet banking application, a call center and 943 personnel, Burgan Bank provides high value added banking products and services in corporate and commercial banking, small business banking, retail banking, private banking and factoring, as well as in leasing and investment banking through its subsidiaries.

The Bank's market shares in the sector in terms of key indicators are presented below.

TL million	31 December 2019		
	Burgan Bank	Sector*	The Bank's Share (%)
Cash Loans	11,621	2,656,810	0.44
Customer Deposits	11,200	2,566,897	0.44
Number of Branches	35	10,199	0.34
Number of Employees	943	188,837	0.50

*Source: BRSA (Banking Regulatory and Supervision Agency), BAT (The Banks Association of Turkey)

R&D Practices Related to New Services and Activities

Burgan Bank introduced new services to its customers and carried on with its product research and development activities in 2019.

Aimed at making sure that the returns customers derive on their term deposits do not remain below the inflation, "Inflation-Indexed Deposit Account with Interim Payments" was launched in 2019. This new product provides our customers with the opportunity to protect their Turkish lira savings against inflation in real terms, and to obtain above-inflation returns.

In transactions involving capital market instruments performed by retail customers, customers now have the chance to approve the Transaction Instruction and Result Form via a link sent to their mobile phones or email accounts.

FC free funds were also included within mutual funds that can be traded, and were offered to qualified investors wishing to invest in a foreign currency via our branches.

Information on Benefits Provided to Top Management

The top management of the Bank is composed of the Chairman of the Board, the General Manager, Senior Executive Vice President and Vice General Managers.

The sum of benefits paid to the top management in the current period totaled TL 24,045 thousand (31 December 2018: TL 20,310 thousand) which includes total gross salaries, travel, meal allowances, health insurance, life insurance, vehicle expenses and other expenses.

As of 31 December 2019, total benefit which was provided to top management, was provided to following groups as a salary package: TL 10,484 thousand to Board Members and the General Manager (1st Group), TL 11,169 thousand to Chief Financial Officer (CFO), Internal Systems Vice President (CIA) and Chief Risk Officer (CRO) and first 5 managers who receive the highest salary (2nd Group).

Information Concerning Legal Action Taken Against the Bank Which May Affect the Financial Status or Operations of the Bank and Their Possible Results

As of 31 December 2019, the total amount of legal action taken against the Bank stood at TL 54,205 thousand (31 December 2018: TL 54,164 thousand) and the Bank sets aside a provision of TL 9,236 thousand (31 December 2018: TL 7,292 thousand) regarding these risks.

Explanations with Respect to Administrative or Legal Sanctions Imposed on the Bank, Members of the Board or Top Management in Connection with Acts or Procedures in Violation of the Codes

None.

Sum of Financial Benefits Provided Such As Daily Allowances, Salaries, Premiums, Bonuses or Dividends

The sum of the Bank's Personnel Expenses totaled TL 195,489 thousand as of 31 December 2018 (31 December 2018: TL 165,196 thousand), while the Bank set aside a provision of premium amounting to TL 29,620 thousand (31 December 2018: TL 29,390 thousand) to be paid to the Bank's personnel.

Section Two

Information on Management and Corporate Governance practices

Names & Surnames, Terms of Office, Area of Responsibility, Academic Backgrounds and Professional Experience of the Chairman of the Board of Directors, Director and Members of the Audit Committee, General Manager and Vice Presidents, and Heads of the Units under Internal Systems

Names & Surnames, Terms of Office, Area of Responsibility, Academic Backgrounds and Professional Experience of the Chairman of the Board of Directors, Director and Members of the Audit Committee, General Manager and Vice Presidents, and Heads of the Units under Internal Systems

Name and Surname	Position	Date of Appointment to Office	Academic Background	Experience in Banking or Business Administration Prior to Appointment to Office (Years)
CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS:				
Emin Hakan Eminsoy	Chairman	07.08.2019	Bachelor's degree	34
Faisal M.A. Al Radwan	Vice Chairman	21.12.2012	Bachelor's degree	23
Adrian Alejandro Gostuski	Member	21.12.2012	Master's degree	35
Mehmet Alev Göçmez	Member	23.01.2013	Master's degree	33
Halil Cantekin	Member	30.03.2015	Bachelor's degree	31
Osama T. Al Ghoussein	Member	25.06.2014	Bachelor's degree	33
Fouad Husni Douglas	Member	13.06.2019	Master's degree	32
Khaled F.A.O. Alzouman	Member	13.06.2019	Bachelor's degree	31
Ali Murat Dinç	Member and CEO	03.02.2014	Master's degree	21
CHIEF EXECUTIVE OFFICER:				
Ali Murat Dinç	Member and CEO	03.02.2014	Master's degree	21
EXECUTIVE VICE PRESIDENTS:				
Esra Aydın	Operations &Management Services	01.08.2007	Bachelor's degree	16
Mutlu Akpara	Treasury, Capital Markets and Financial Institutions	08.08.2007	Master's degree	11
Cihan Vural	Internal Control and Audit	03.11.2008	Bachelor's degree	13
Rasim Levent Ergin	Human Resources	01.11.2012	Master's degree	17
Suat Kerem Sözügüzel	Corporate and Commercial Banking	01.04.2014	Bachelor's degree	17
Hasan Hüseyin Uyar	Credits	01.04.2014	Master's degree	27
Hasan Ufuk Dinç	Digital Banking and Information Technologies	19.11.2018	Master's degree	22
Ümit Sönmez	Financial Affairs	01.07.2019	Master's degree	22

Changes in the Bank's top management during 2019 and until the reporting date:

Appointments:

Emin Hakan Eminsoy was appointed as the the Chairman of the Board of Directors on 7 August 2019.

Faisal M.A. Al Radwan was appointed as the the Vice Chairman of the Board of Directors on 9 August 2019.

Fouad Husni Douglas ve Khaled F.A.O. Alzouman was appointed as Member of the Board of Directors on 13 June 2019.

Ümit Sönmez was assigned as Executive Vice President responsible for Financial Affairs on 1 July. 2019.

Departures:

Board members Eduardo Eguren Linsen and Majed E.A.A. Al Ajeel resigned on 28 May 2019 and 31 July 2019, respectively.

Hüseyin Cem Öge, Executive Vice President responsible for Corporate Banking resigned on 6 February 2019.

Acting Finance Executive Vice President Tuba Onay Ergelen left this position as of 30 June 2019, and continues to serve as Risk Management Group Head.

Information on the Bank's Personnel and Number of Branches, Types of Services, Fields of Activities, and Evaluation of the Bank's Position in the Sector Based on These

TERMS OF OFFICE AND PROFESSIONAL EXPERIENCE OF STATUTORY AUDITORS

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) was elected as an external auditor in pursuant to decision made in our Bank's General Assembly which was held on 31 March 2019.

Activities of the Credit Committee and of the Committees Reporting to, or Set Up to Assist, the Board of Directors Under Risk Management Systems Pursuant to the Regulation on Banks' Internal Systems, and the Names, Surnames and Principal Duties of the Heads and Members Serving on These Committees

CREDIT AND RECOVERY COMMITTEE

The chairman of the Credit Committee is Emin Hakan Eminsoy, the chairman of the Board of Directors. The Bank's CEO, Ali Murat Dinç and board member Faisal M.A. Al Radwan serve as members of the Committee. Halil Cantekin and Adrian Alejandro Gostuski who are board members were elected as substitute member.

BOARD NOMINATION AND REMUNERATION COMMITTEE

The Board Nomination and Remuneration Committee shall be responsible for presenting recommendations to the Board regarding nomination to the Board's membership, review of Board structure on an annual basis, undertake performance evaluation of the overall Board and the performance of each member on annual basis and developing Bank-wide reward policy in line with the rules in force. In addition, the Board Nomination and Remuneration Committee shall be responsible for appointment of the senior positions of the Executive Management, ensuring that these positions are occupied by qualified employees along with setting performance standards and succession plans. The Chairman of the Committee is Faisal M.A. Al Radwan, Khaled F.A.O Alzouman and Mehmet Alev Göçmez serve as members of the Committee. This committee meets when necessary and held 2 meetings in 2019.

INTERNAL SYSTEMS ORGANIZATIONAL FUNCTION GROUPS

AUDIT COMMITTEE

The Audit Committee is responsible for ensuring compliance with the current laws, policies, guidelines, business conduct rules, code of ethics and other responsibilities assigned pursuant to the BRSA's Regulation on the Banks' Internal Systems. The Committee is also charged with verifying and monitoring the adequacy of internal control and audit functions.

Halil Cantekin is the Chairman of Audit Committee while Adrian Alejandro Gostuski and Fouad Husni Douglas serve as the committee members. Risk Management and Internal Audit and Control Groups report to Audit Committee functionally.

A. RISK MANAGEMENT SYSTEM

The Risk Management System has been set up to regulate the definition, measurement, reporting and monitoring of the risks involved in all aspects of the banking activities, subject to the principles established jointly by the Bank's executive management and the Risk Management Group and approved by the Board of Directors. One of the main aims of Risk Management System is to establish a common risk management conception within the Bank.

The organizational components of the Risk Management System are the Risk Committee and the Risk Management Group.

1) RISK COMMITTEE

Risk committee is composed of Adrian Alejandro Gostuski, chairman of the committee and board member, Osama T. Al Ghoussein and Halil Cantekin. Risk Management Group reports to Risk Committee functionally.

Primary roles of the Risk Committee are approval of Strategic Risk Management decisions (such as the Bank's risk appetite, capital allocation and risk management structure) and qualitative and quantitative monitoring of Market, Liquidity, Credit and Operational Risks; and auditing compliance with risk policies that are approved by the Board of Directors.

2) RISK MANAGEMENT GROUP

The Head of Risk Management Group is assigned with the coordination among the Credit Risk and Modelling Unit, Market Risk Unit and Operational Risk Unit and presentation of the results of their works to the Risk Committee.

a) Market Risk Unit

The objective of the Market Risk Unit is to monitor and analyze the market risks that the Bank and affiliates subject to consolidation are exposed to and to create and report risk policies and implementation procedures. The monitoring and the reporting of limits defined related to Treasury Risk Parameters and liquidity risk are among the unit's responsibilities. Limit on counterparty credit risk - risk monitoring, stress tests and scenario analysis are among the responsibilities of the unit.

The Bank employs the standardized approach in the calculation of the Value at Risk (VaR) for the market risk for statutory reporting and additionally the Bank uses internal method based VaR for its management reporting and internal processes.

Interest-sensitivity and liquidity gap analysis of balance sheet items in order to track interest rate and liquidity risks are performed. Based on these efforts, maturity mismatches in relation to credits and deposits are monitored and reported. Analyses are conducted using DV01 metrics to measure the banking accounts' sensitivity to changes in interest rates.

b) Credit Risk and Modeling Unit

Credit Risk and Modeling Unit is responsible for monitoring, on a portfolio basis, the credit risk undertaken by the Bank as a result of its lending activities. The Unit provides information flow to the executive management of the Bank in terms of the current position and performance direction of the loan portfolio through regular monitoring of all the stages of lending activities and by regular and frequent reporting of credit limits and risks on the basis of collaterals, sectors, geographical regions and internal rating scores. The Unit also makes proposals for the identification and improvement of hitches and vulnerabilities in the lending system, as and when necessary.

On the loan portfolio, scenario analysis, stress test and reverse stress tests are carried out and results are shared with senior management, Risk Committee, Audit Committee and Board of Directors. Credit Risk and Modeling Unit is responsible for the monitoring, analysis, calibration and validation of the results of the automatic decision systems and the internal rating systems used to measure the credit risk /coordination of the process. Within this framework, models used in the calculation of provision figures are revised according to TFRS9 standards, and the compatibility of the results of these calculations and models is verified. In addition, validation and calibration studies of TFRS 9 models are carried out by the Unit. The Unit prepares the estimates of the probability of default and loss given default ratios, which are the key inputs of IFRS 9 calculations.

c) Operational Risk Unit

Operational Risk Unit is responsible for monitoring and analyzing the operational risks that the Bank and affiliates subject to consolidation are jointly exposed to, and creating and reporting risk policies and implementation procedures. In this context, operational risk incidents are compiled, key risk indicators are collected, and risk control self-assessments are carried out.

Operational Risk Unit coordinates the activities for maintaining, testing and improving the Business Continuity Plan created against the risk of potential business interruption at the Bank.

Meeting Frequencies of Committees:

As defined in the Bank's Risk Policies document, the Risk Committee meets at least four times a year and the Risk Coordination Committee meets monthly. The Risk Coordination Committee is set up in order to determine joint actions for Internal Audit and Risk Management. Participants are Chairman of the Audit Committee, General Manager, Head of Risk Management Group, Executive Vice President Responsible for Internal Audit and Control, Head of Internal Audit, Head of Internal Control, Head of Compliance and Head of Credit and Market Risk. According to the meeting agenda, the Internal Audit Department, Internal Control Department, Compliance Department and Risk Management Unit Managers and employees, top-level managers of executive functions and other managers are invited to the meeting.

Information on the Bank's Personnel and Number of Branches, Types of Services, Fields of Activities, and Evaluation of the Bank's Position in the Sector Based on These

B. INTERNAL SYSTEMS GROUP

Internal Systems Group consists of Internal Audit, Internal Control and Compliance Department. Heads of Internal Audit and Internal Control report to the executive vice president responsible for Internal Audit and Control who directly reports to the Audit Committee. Compliance officer of the Bank reports directly to the member of the Board of Directors and Head of Audit Committee. The Compliance Department operates directly linked to Executive Vice President of Internal Systems, who reports to the Audit Committee in administrative terms.

B.1. INTERNAL AUDIT

The Internal Audit Department operates in accordance with the Internal Audit Department By-laws and Guidelines approved by the Board of Directors and the Audit Committee.

The mission of the Internal Audit Department is to perform the internal audit of all operations of the Bank and its subsidiaries independently, with the objectives of adding value to the Bank, improving operational efficiency and effectiveness and adequacy of risk management and internal control system, preserving its assets, efficiently using resources and ensuring attainment of the goals and targets set for the operations.

The vision of the Internal Audit Department is to act as a business partner and consultant for stakeholders by carrying out assurance and consultancy activities that are in line with the strategic goals of the Bank and its subsidiaries as well as the expectations of stakeholders and are focused on productivity, improvement and added value creation within the frame of International Internal Audit Standards including the Quality Assurance Improvement Program.

Consisting of Financial and Operational Processes Audit, Loan and Business Processes Audit, IT Audit and Quality Assurance Audit teams, the Internal Audit Department carries out branch audits, examinations/interrogations and consultancy activities, as well as process audits of business and information systems at the Bank, subsidiaries and support services providers under the annual audit plan and in accordance with the International Internal Audit Standards.

B.2 INTERNAL CONTROL

The Internal Control Department reports its activities to the Audit Committee through the Assistant General Manager for Internal Systems. The Internal Control Department consists of the Branch Control Unit, the Headquarters Control Unit.

Internal Control Department aims protection of Bank's property and assets, assuring conduct of activities in compliance with all in-house developed policies and rules of the Bank, banking practices, the Banking Law and other related regulations, ensuring division of functional roles within the Bank, allocating responsibilities within the Bank, ensuring that accounting and financial reporting system, information system and intra-Bank communication channels operate in an effective manner and operates in line with these goals.

Internal Control Department's activities are carried on with a risk focused approach, in terms of main control points mainly on lending, deposit collection, accounting, financial/legal reporting, operation, information systems, alternative delivery channels, treasury/derivatives and capital market transactions. The conformity of these transactions and others in different fields to applicable legislation, the Bank's strategy and policies, internal implementation procedures, limits and internal guidelines is regularly controlled at the second level through both centralized and on-site audits.

In this context, branch on-site audits and periodic and spot controls performed on the main banking and information systems processes at the Head Office scheduled under the 2019 control plan have been brought to completion. Periodic information has been provided to the Bank's executive management and primarily to the Audit Committee and the Board of Directors about these control activities and their outcomes.

Within the frame of its consultancy services, the Internal Control Department performed specific process reviews for risks that might result from new products/services, and rapidly evolving and changing channels/operations, and continued to extend support to major projects by sharing its opinions and suggestions about improving related processes, and increasing the operational efficiency and the effectiveness of risk management and internal control system in 2019.

In order to increase awareness across the Bank, the Internal Control Department continued to give seminars on the “Prevention of Laundering Proceeds of Crime” to branch personnel during branch visits in coordination with the AML Compliance Unit, as well as training programs on “Fraud and Misconduct Awareness” across the Bank in 2019. In addition, the Internal Control Department performed review and control activities about compliance with Ethical Banking Principles, Disciplinary Regulation and Code of Ethics in addition to its planned activities in 2019.

Burgan Bank’s Internal Control Department also continued to coordinate the internal control activities at the Bank’s subsidiaries, namely Burgan Leasing and Burgan Securities.

C. COMPLIANCE DEPARTMENT

Compliance officer of the Bank reports directly to the member of the Board of Directors and Head of Audit Committee. The Compliance Department operates directly linked to Executive Vice President of Internal Systems, who reports to the Audit Committee in administrative terms.

The activities of the Compliance Department are carried out within the frame of the current legislation and the Group’s principles.

The Compliance Department consists of the Regulatory Compliance and AML Compliance units.

Regulatory Compliance Unit;

The Regulatory Compliance Unit:

- Follows up the banking legislation apart from the tax legislation, announces the changes and new requirements across the Bank, and offers consultancy to the related departments/units of the Bank regarding applicable legislation with respect to the delivery of new and existing products and services;
- Ensures that the Bank’s practices and operations are carried out in accordance with the regulatory framework.

AML Compliance Unit:

The AML Compliance Unit is responsible for ensuring compliance with the Law no. 5549 on the Prevention of Laundering Proceeds of Crime and Law no. 6415 on Prevention of Financing of Terrorism and the obligations related to anti-money laundering and financing of terrorism enforced based on the said laws. The Unit continues to carry out customer acceptance, transaction monitoring, risk management, consultancy and training activities to combat the laundering of proceeds of crime and financing of terrorism in accordance with the national legislation published by MASAK (Financial Crimes Investigation Board) in particular, and the standards published by international agencies such as the Financial Action Task Force (FATF), as well as the Group’s own rules.

Board of Directors' Summary Report Presented to the General Assembly

Dear Shareholders,

Drawing the strength of the Burgan Bank Group, our Bank targeted stable growth in its activities in 2019. In this context, Burgan Bank pursued its banking activity in accord with the Turkish Commercial Code, tax legislation, the Banking Law, Banking Ethics, the "Know Your Customer" and Suspicious Transaction, provisions and the Competition Laws and Guidelines.

In formulating its risk policies, Burgan Bank aims to enhance the total benefit for its shareholders and customers, with keen consideration of risk-sensitive capital management principles and liquidity factors. Internal audit and risk management systems are being developed in line with the BRSA's guidelines.

In 2019, the Bank realized the necessary organizational changes and investments in line with its efficiency and effectiveness notion, intensified its customer-oriented activities via its 35 branches countrywide and digital banking channel, and successfully satisfied all of the financial needs of its corporate, commercial and retail customers with its effective pricing policy and rich product range. As well as its expanding balance sheet, the Bank also effected significant improvements, which will further strengthen its performance in the future in terms of product and service portfolio, the number of customers and the structure of service channels.

As of 31 December 2019 the Bank's total assets were recorded as TL 18,892,573 thousand.

Customers' deposits were up by 14.9% and amounted to TL 11,563,046 thousand. The share of savings deposits (including FX deposits) in the Bank's total deposits increased.

As of 31 December 2019, 61.2% of the total liabilities consisted of deposits, 22.7% consisted of funds borrowed and money market borrowings and 10.2% consisted of shareholders' equity.

As far as assets are concerned, total cash loans (gross) amounted to TL 13,816,074 thousand as of 31 December 2019.

The total amount of the Bank's non-performing loans accounted for 6.9% of its cash loan portfolio. The Bank set aside 29.2% provision for non-performing loans.

Total securities stood at TL 619,094 thousand. As a result, 68.9% of our assets consisted of loans, with securities accounting for 3.3% and cash, CBRT and short term placements comprising 17.3% of our assets.

The Bank's pre-tax profit in 2019 was TL 158,859 thousand while its net profit was TL 138,554 thousand.

Our principal shareholder continued to support the Bank in 2019. As of 31 December 2019, the Bank's books showed a USD 235 million long-term loan and a USD 300 million subordinated loan, both received from its principal shareholder.

As of 31 December 2019, the Bank's unconsolidated standard capital adequacy ratio was 21.27%.

In 2019, our qualified and healthy balance sheet structure will remain as a building block that will not be compromised, and we will continue to manage the leverage provided by our shareholders' equity with an accurate and risk-aversive approach.

Burgan Bank has everything it needs to remain on course as a company that generates long-term added value for its stakeholders. A unique blend of knowledge and experience, disciplined approach to business, superior quality human resources and effective risk management make our Bank an excellent financial institution capable of creating value for its stakeholders.

I take this opportunity to thank, both personally and on behalf of the Board of Directors, those who have contributed the most to our success; our colleagues for the dedicated efforts and our customers for the confidence in and loyalty to our Bank.

I hereby submit for your consideration and approval Burgan Bank's independently audited financial statements dated 31 December 2019.

Very truly yours,

THE BOARD OF DIRECTORS

Information about Human Resources Practices

Human Resources Policy

The Human Resources of a financial institution are the most valuable part of its assets. The success of the Bank is closely linked to its human resources policies that provide recruitment, development, loyalty and high motivation. The main responsibilities of Human Resources are outlined below:

- Formulating human resource policies and programs to support the Bank's strategic goals and priorities,
- Recruiting competent and result oriented human resources, capable of contributing to the attainment of the Bank's goals and strategies, always ensuring the maintenance of transparency and meritocracy, whether sourcing refers to internal transfer or external hiring,
- Contributing to the enhancement of the Bank's performance by designing a competitive pay policy and by rewarding superior performance,
- Gearing up our employees who are trained within the corporate culture and specialized in their careers for managerial positions, thus fortifying the Bank's corporate culture,
- Assuring employee satisfaction through proactive human resources practices and building an efficient and highly motivated organization.

Recruitment

Human resource needs are fulfilled in line with the Bank's short and medium-term strategic goals.

Our target is to attract the human resource possessing good academic background, that is open to innovation and change and that will espouse and maintain the Bank's values.

The considerations in the selection of new employees are conformity of individuals possessing potential for improvement to the Bank's competencies, as well as the conditions prevailing in the sector.

The Bank's overall Annual Headcount Budget is approved by the Board of Directors. The Executive Vice President of Human Resources, Organization and Corporate Communications reviews and approves all recruitments of the Bank. All new recruitments within the budget are also approved by the Executive Vice President of Human Resources, Organization and Corporate Communications, the respective Executive Vice President and Group Head, while recruitments outside the budget are also approved by the General Manager.

Training and Development

The purpose of the Training and Development Department is to provide the employees with need-based training and development opportunities and learning tools, so as to help the Bank achieve its goals for the purposes of:

- Providing opportunities for improving their performances in their current positions,
- Preparing the employees for new and future roles,
- Providing the concrete information required by changing business needs and conditions,
- Satisfying legal requirements in relation to training,
- Developing new information and skills, strengthening behaviors and competencies targeted at increasing productivity
- Helping the employees with their career planning in line with succession planning.

In this context, training and development support is provided in four categories in classroom/distance learning formats.

- Banking technical knowledge and skills programs
- Management and personal training programs
- Compulsory certifications
- Orientation and on-the-job training programs.

In addition, development support was extended through "Corporate Coaching Program" offered to volunteering employees, and through "Meet the Experience" mentoring program, "Executive MBA" and "Development Center Implementations" to high-potential employees. Launched concurrently with the Employer Brand, "Learning from One Another" Program has been instrumental in letting the Bank employees share the topics in which they are knowledgeable with the teams. Distance learning programs were expanded with the addition of video training sessions prepared by internal trainers, which are open for use by all employees.

It is of utmost importance to take care in ensuring that the training and development opportunities targeted in this direction are in conformity with the

Bank's goals, strategies and competencies, as well as to have them monitored and followed-up by the Bank's managers.

Career Management

The Bank's primary goal is to ensure planning of promotion for high potential employees who have espoused the Bank's vision, mission and values, to managerial positions. It is targeted that the employees are actively involved in and manage their own career planning in cooperation with their line managers based on the results of performance appraisals.

For vacant positions in the Bank, the main strategy is recruitment from internal sources of the Bank. Our employees may be appointed to the vacant position by promotion or by keeping their existing titles and rights, depending on the requirements of such position. In order for the employees to be promoted in line with the Bank's needs, the relevant position must be vacant, the person must possess the knowledge and experience required by the position to which he/she will be promoted and he/she must have displayed a high performance or must have a high potential.

Performance Appraisal

The primary goal of performance appraisal is to achieve the Bank's goals and strategies and to ensure attainment of better results by the employees and the Bank through management of individual performance. Our corporate culture encourages our employees to receive and give feedback to their managers on their annual performance. In addition, once a year employees' contributions to business results and their development in competencies are measured.

The appraisal process serves to the rewarding of individuals displaying superior performances, as well as to the identification of people with high potentials and the determination of development needs of the employees. Performance levels of employees open the way for their promotion to various positions within the frame of personal career plans and also have an influence on their remunerations.

Remuneration

The Bank has in place a remuneration policy which aims at:

Enabling the Bank to attract, acquire, motivate and retain highly competent employees,

Setting a specific framework in order to ensure a consistent approach in rewarding employees, in line with their roles and responsibilities as well as knowledge and experience.

The Remuneration Policy ensures also that Compensation & Benefits;

a- are in line with Banking Sector practices,

b- maintain internal equity,

c- are in line with the personnel expenses budget,

d- are aligned with Performance Management Evaluation, thus promoting the result-oriented culture of the Bank.

Staff Vacation Policy

The Bank adheres to the provisions of the Labor Law no 4857 in relation to vacations. Accordingly, annual vacation days according to years of service are as follows:

Years of Service	Vacation Days
1 to 5 Years	17 Days
5 to 15 Years	20 Days
More than 15 Years	26 Days

Critical positions within the Bank were identified in view of the following criteria. Our employees in these positions will be taking leave for two consecutive weeks.

Positions with any one of the following characteristics are defined as critical:

- One-on-one contact with customers
- Direct engagement in cash transactions, involvement in goods and services procurement processes
- Involvement in processes related to processing of, and modifications to, customer data and accounts
- Capability to perform transactions impacting the Bank's financials and/or involvement in decision-making processes

- Capability to intervene and alter Information Systems, applications, databases and production environment
- Engagement in information security and fraud monitoring and prevention
- Authorization to access and modify user authorizations and system logs

Employment of Relatives Policy

The aim of this policy is to ensure that Management decisions relating to the recruitment of relatives and promotions/ transfers of relatives already in service are taken in a way that does not give rise to conflicts of interest.

Employees who are related are not allowed to be placed in posts where one can control, evaluate, examine, approve or determine the work done by the other, or affect the pay and promotion of the other in any way.

This commitment is not limited to cases of service in the same unit but also relates to posts in collaborating units which provide complementary services or operate as approval/audit services.

Fringe Benefits

Healthcare expenses of our employees and their families (spouse and children) are covered under the health insurance policies revised every year.

Furthermore, our employees are provided with life insurance that includes life, personal accident and critical illness coverage.

Contributory private pension contracts are made for employees, on a voluntary basis, for which the Bank contributes 2% to 5% of their monthly gross salaries depending on seniority.

Organization and Process Management

Work processes and workloads are regularly followed up with a lean organization perspective and for ensuring continuity of workforce productivity.

Process activities are being carried out across the Bank's business units and subsidiaries, which are aimed at increasing productivity and enhancing service quality. Work is carried out on new products/services and channels, as well as efforts to secure increased productivity in existing processes.

Activities are being carried out to improve customer experience at different business lines of the Bank and at customer touch points. Process and customer experience improvement efforts are being analyzed through end-to-end process performance measurements.

The Bank's Transactions with Its Risk Group

	Total Risk Group	Share in Financial Statements (%)
Borrowings and Subordinated Debts	3,203,896	78.16
Deposits	319,668	2.76
Non-cash Loans	75,151	2.16
Banks and Other Financial Institutions	6,459	1.13
Loans	98	0.00

Information Regarding Affiliate Report

In according to the article 199 of the Turkish Commercial Code numbered 6102 which is effective since 1 July 2012; The Board of Directors are obliged to prepare an affiliate report regarding the transactions/relations between the controlling company and other affiliates of the controlling company within the first quarter of the activity year and attach the conclusion part of the affiliate report to the activity report.

The required information with respect to the transactions between the Bank and related parties has been stated in the part 5 numbers VII of the Footnotes and Information Regarding the Non-Consolidated Financial Statement (Appendix-4). It has been explained at the Affiliate Report which has been prepared by the Board of Directors; "All transactions between the controlling company of the Bank and the affiliate companies of the controlling company in the fiscal year 2019, in the circumstances and conditions known to the board at the time at which the company conducted the legal proceeding or took or refrained from taking the measure, obtained appropriate counter-performance in relation to each proceeding and whether the company incurred any loss due to taking or refraining from taking the measure and in this regard there is no transaction or prevention required to net-off."

Fields of Activity in Which Support Services Were Procured and the Persons and Companies from Which They Were Procured Pursuant to the Regulation on the Support Services to be Procured by Banks and Authorization of Support Service Providers

Support Service Company	Area of Expertise	Description of Service
Active Bilgisayar Hizmetleri Tic. Ltd. Şti.	Information Systems	Nova 2000 Software System
Austria Card Turkey Kart Operasyonları A.Ş	Operational Services	Personalization and Processing of Debit/ Credit Cards, Password Printing and Enveloping
Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.	Information Systems	ATM Management System, ATM Card Management System, ATM Fraud Management System
Bantaş Nakit ve Kıymetli Mal Taşıma Güvenlik Hizmetleri A.Ş.	Operational Services	CIT Cash Management Services
Bantaş Nakit ve Kıymetli Mal Taşıma Güvenlik Hizmetleri A.Ş.	Operational Services	Offsite ATM Loading/Unloading Services
BİLİN Yazılım ve Bilişim Danışmanlığı A.Ş.	Information Systems	Software (Personnel records, payroll formalities, legal reporting, data entry into the performance and recruitment module, candidate database) Support and Continuous Development Support Services
Fineksus Bilişim Çözümleri Ticaret A.Ş	Information Systems	Paygate Maestro & Search Swift application
Fineksus Bilişim Çözümleri Ticaret A.Ş	Information Systems	SWIFT Application Software Repair and Maintenance Services
FU Gayrimenkul Yatırım Danışmanlık A.Ş	Operational Services	Placing and Releasing of Mortgages, Encumbrance Investigation Services
Konut Kredisi com.tr Danışmanlık A.Ş (Hesapkurdu.com)	Operational Services	Credit Application Services
Innova Bilişim Çözümleri A.Ş.	Information Systems	Innova Payflex Collection System
Iron Mountain Arşivleme Hizmetleri A.Ş	Operational Services	Archiving services
İpoteka Gayrimenkul Danışmanlık A.Ş	Operational Services	Creation and Revocation of Lien, Encumbrance Investigation Services
İSNET Telekomünikasyon Servis Hizm. Tic. Ltd. Şti.	Information Systems	Communication Equipment Supply Services
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	Information Systems	DC and DRC Hosting / Data Storage Center (Business Continuity Services)
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	Information Systems	Derivatives and Investment Statements Printing and Transmission
MTM Holografi Güvenlikli Basım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş	Operational Services	Printing of negotiable Instruments
PayCore Ödeme Hizmetleri ve Takas Mutabakat Servisleri A.Ş. (MASTERCARD Payment Transaction Services Turkey Bilişim. Hiz.A.Ş.)	Operational Services	ATM and Debit Card Clearing Operation Service
Postkom Basım Posta ve İletişim Hizmetleri A.Ş.(Yeni Unvan) Provus Basım Posta ve İletişim Hizmetleri A.Ş.	Operational Services	Printing and enveloping of account and card statements, notices and information letters sent to bank customers
Risk Aktif Danışmalık Eğitim ve Yazılım San. Tic. Ltd. Şti.	Information Systems	Basel II reporting
TAGAR Tapu Garanti Hizmetleri A.Ş.	Operational Services	Placing and Releasing of Mortgages, Encumbrance Investigation Services
Halıcıoğlu Yazılım Danışmanlık ve Tic. Ltd. Şti.	Information Systems	Legal Tracking System

Fields of Activity in Which Support Services Were Procured and the Persons and Companies from Which They Were Procured Pursuant to the Regulation on the Support Services to be Procured by Banks and Authorization of Support Service Providers

Support Service Company	Area of Expertise	Description of Service
Alternatif Dağıtım Taş. Kurye Hiz. Ltd. Şti. (Traffic Kurye)	Operational and IT Services	Identity verification and delivery of account opening documents
Lostar Bilgi Güvenliği A.Ş.	Information Systems	Penetration test
Indigo Consulting SAL Offshore	Information Systems	Murex support services
Securitas Güvenlik Hizmetleri A.Ş.	Operational Services	Physical security services
RGN İletişim Hizmetleri A.Ş.	Operational Services	Collection calls
VEGA Bilgisayar Hizmetleri Ltd. Şti.	Information Systems	Legal reporting software support service
Posta ve Telgraf Teşkilatı A.Ş. (PTT)	Operational Services	Debit card submissions
Tele Kurye A.Ş.	Operational and IT Services	Identity verification and delivery of account opening documents
Sistaş Sayısal İletişim Sanayi ve Ticaret A.Ş.	Information Systems	Call center infrastructure service
Online Elektronik Ticaret Hizmetleri A.Ş. (YUKKO)	Operational Services	Providing consumer loans to real persons who will make product purchases, collecting applications and submitting them to the Bank
Posta ve Telgraf Teşkilatı A.Ş. (PTT)	Operational Services	Consumer loan application service to pensioners who receive their salary from PTT
Eskidji Müzayedecilik Ticaret İthalat İhracat A.Ş.	Operational Services	Providing consumer loans to real persons who will make product purchases, collecting applications and submitting them to the Bank
İpoteka Gayrimenkul Danışmanlık A.Ş	Operational Services	Creation and Revocation of Lien, Encumbrance Investigation Services
Posta ve Telgraf Teşkilatı A.Ş. (PTT)	Operational Services	Credit payment and deposit online transactions
Mobiltel İletişim Hizmetleri San. Tic. A.Ş.	Operational Services	Credit application collection services
Loomis Güvenlik Hizmetleri A.Ş.	Operational Services	Check clearing operations
Fineksus Bilişim Çözümleri Ticaret A.Ş	Information Systems	Paygate Swift consolidated project
Netaş Telekomünikasyon A.Ş.	Information Systems	SOC (Security Operation Center) support service
Aras Kurye Servisi A.Ş.	Operational and IT Services	Identity verification and delivery of account opening documents
Çetmen Mağazaları Mobilya Day. Tük. Mal. Oto. San. Tic. A.Ş. (Çetmen Mobilya)	Operational Services	Providing consumer loans to real persons who will make product purchases, collecting applications and submitting them to the Bank
Mobilgi Bilgisayar Teknolojileri Sanayi ve Ticaret Limited Şirketi	Operational and IT Services	Identity verification and delivery of account opening documents
Mudo Satış Mağazaları A.Ş.	Operational Services	Providing consumer loans to real persons who will make product purchases, collecting applications and submitting them to the Bank
Kartek Kart ve Bilişim Tek. Tic. A.Ş. - Paycore	Information Systems	ATM, Debit card, clearing infrastructure services
Paynet Ödeme Hizmetleri A.Ş.	Operational Services	Providing consumer loans to real persons who will make product purchases, collecting applications and submitting them to the Bank
Invictus Bilişim Güvenlik Hiz. Dan. ve Üretim Tic. A.Ş.	Information Systems	Cyber security consultancy

Corporate Governance Report

Board of Directors

The Board of Directors is the ultimate decision-making body at the Bank. The Board of Directors fulfills its decision-making function through the Board Committees. In order to set up the board committees in the number required by the Articles of Association, the Board of Directors is made up of sufficient number of members which must not be less than five. Each member of the Board of Directors is elected for a term of office of three years. Members whose terms of office expire may be re-elected. The Board of Directors meets at least six times a year, and at least once on a quarterly basis. The Board held 8 meetings during 2019. The members of our Bank's Board of Directors as of the date of this writing are presented below.

Member	Position
Emin Hakan Eminsoy	Chairman of the Board
Faisal M.A. Al Radwan	Vice Chairman of the Board
Osama T. Al Ghoussein	Board Member
Adrian Alejandro Gostuski	Board Member
Fouad Husni Douglas	Board Member
Khaled F.A.O Alzouman	Board Member
Mehmet Alev Göçmez	Board Member
Halil Cantekin	Board Member
Ali Murat Dinç	Board Member & CEO

Board of Directors Committees

Board of Directors Corporate Governance Committee (BCGC)

The BCGC is mainly responsible for assisting the Board of Directors in setting the Bank's corporate governance policies, following-up on their execution, and periodic reviewing thereof to ensure their effectiveness. The Committee meets at least every three months during a calendar year. The BCGC held five meetings in 2019. The members of the Bank's Corporate Governance Committee as of the date of this writing are presented below.

Member	Position
Faisal M.A. Al Radwan	Head of the Board of Directors Corporate Governance Committee
Emin Hakan Eminsoy	Member of the Board of Directors Corporate Governance Committee
Ali Murat Dinç	Member of the Board of Directors Corporate Governance Committee

Board of Directors Nomination and Remuneration Committee (BNRC)

The BNRC is responsible for making recommendations to the Board of Directors regarding nomination to the Board's membership, review of Board structure on an annual basis, overall performance evaluation of the Board and individual performance review of each member on annual basis, and developing Bank-wide remuneration policy in line with applicable laws and regulations. The Committee meets as and when necessary. The BNRC held two meetings in 2019. The members of the Bank's Nomination and Remuneration Committee as of the date of this writing are presented below.

Member	Position
Faisal M.A. Al Radwan	Head of the Board of Directors Remuneration Committee
Khaled F.A.O Alzouman	Member of the Board of Directors Remuneration Committee
Mehmet Alev Göçmez	Member of the Board of Directors Remuneration Committee

Board of Directors Audit Committee (BAC)

The BAC is responsible for establishing and overseeing the adequacy of internal control and audit functions of the Bank, as well as for ensuring compliance with applicable laws, policies, guidelines, and code of business conduct and ethics, and also other responsibilities provided under the BRSA Regulation on Internal Systems of Banks. The Committee meets at least quarterly during a calendar year. The BAC held four meetings in 2019. The members of the Bank's Audit Committee as of the date of this writing are presented below.

Member	Position
Halil Cantekin	Head of the Board of Directors Audit Committee
Adrian Alejandro Gostuski	Member of the Board of Directors Audit Committee
Fouad Husni Douglas	Member of the Board of Directors Audit Committee

Board of Directors Risk Committee (BRC)

The BRC is responsible for supervising whether the risk strategy is implemented by the executive management, and for presenting review feedbacks and reports regarding the current and future risk strategy and tolerance to the Board of Directors. The Committee meets at least every three months during a calendar year. The BRC held four meetings in 2019. The members of the Bank's Risk Committee as of the date of this writing are presented below.

Member	Position
Adrian Alejandro Gostuski	Head of the Board of Directors Risk Committee
Osama T. Al Ghoussein	Member of the Board of Directors Risk Committee
Halil Cantekin	Member of the Board of Directors Risk Committee

Board of Directors Credit and Recovery Committee (BCRC)

The BCRC authorizes the loans referred to it by the Bank's Board of Directors subject to the legal regulations. The Committee meets once in two weeks and as and when necessary. The BCRC held 24 meetings in 2019. The members of the Bank's Credit and Recovery Committee as of the date of this writing are presented below.

Member	Position
Emin Hakan Eminsoy	Head of the Board of Directors Credit Committee
Faisal M.A. Al Radwan	Member of the Board of Directors Credit Committee
Ali Murat Dinç	Member of the Board of Directors Credit Committee
Adrian Alejandro Gostuski	Alternate Member of the Board of Directors Credit Committee
Halil Cantekin	Alternate Member of the Board of Directors Credit Committee

Management Risk Coordination Committee (RCCOM)

The primary objective of RCCOM is to present internal audit and internal control findings, risk management, regulatory and compliance matters for the information of the Chairman of the Board of Directors, Head of the Audit Committee and the CEO in an expedited manner. It also aims to initiate the necessary cooperation between internal systems departments in accordance with the BRSA regulations, and thus, assist the CEO in taking the necessary corrective actions as appropriate.

Executive Committees

The head of execution is the Chief Executive Officer, who fulfills the management function through the executive committees and together with the managerial staff reporting to him/her.

- Executive Committee (EXCO)
- Asset and Liability Management Committee (ALCO)
- Operational Risk Committee (ORCOM)
- Executive Credit Committee (ECCOM)
- Credit Provision Committee (CPCOM)
- Product Service Committee (PSCOM)
- Purchasing Committee (PURCOM)
- Discipline Committee (DISCOM)
- Human Resources Committee (HRCOM)
- Change and Steering Committee (CSCOM)
- Information Systems Steering Committee (ISSC)
- Information Security Committee (ISC)
- Crisis Management Committee (CMCOM)
- Legal Coordination Committee (LCC)

The Bank pursues its operations within a well-defined and formulated corporate governance structure that achieves maximum conformity to ethical banking principles. The Bank applies corporate governance code of ethics and practices to its operations on the basis of the four main pillars of corporate governance, namely accountability, transparency, fairness and integrity. The Bank has set transparency as the central principle of risk management. The Bank adheres to the guidelines based on the Basel Committee Corporate Governance recommendations of the Capital Markets Board of Turkey (CMB) and the Banking Regulation and Supervision Agency (BRSA). The Bank adopts the policies of the regulatory authorities of its principal shareholder as reference, to the extent they do not conflict with local laws and regulations. The Bank makes sure that any hitches in the implementation of the principles mentioned above are shared with all related authorized individuals and authorities, including the Board of Directors.

Section Three

Financial Information and Risk Management

Report by Statutory Auditors Organized Pursuant to Article 397 of the Turkish Commercial Code Dated 13/01/2011 and No.6102

Please refer to Appendix-1.

An Assessment by the Audit Committee of the Operation of Internal Control, Internal Audit and Risk Management Systems and Their Activities in the Reporting Period

The primary function of the Burgan Bank Audit Committee is to assist the Bank's Board of Directors in the fulfillment of the latter's responsibility to supervise the Bank and its affiliates subject to consolidation, by reviewing the financial data to be presented to the shareholders, ensuring the productivity and efficiency of the Internal Control Framework set up by the Board of Directors and the Management level and monitoring the audit process.

The Audit Committee meets at least four times a year and reviews and evaluates the efficiency, adequacy and productivity of the Internal Control Framework and Systems particularly with respect to the achievement of the objectives in the categories listed below:

- Efficiency, productivity and adequacy of the Bank's accounting and reporting systems, as well as of the Bank's Internal Audit, Internal Control and Risk Management,
- Accuracy of the data provided by the systems mentioned above,
- Reliability of financial reporting,
- Establishment of communication channels and information system control,
- Compliance with the laws and legislation in force.

The Audit Committee informs the Board of Directors on any case of noncompliance, also presenting a proposal relating to the corrective action that needs to be taken.

The Audit Committee's assessment of the operation of internal control, internal audit and risk management systems is as follows:

Risk Management System at Burgan Bank has been formulated based on this significance and our commitment to the banking concept we are willing to implement; the system is in a constant evolution process. The purpose of Burgan Bank is to make Risk Management System a part of the decision-making process, rather than using it merely for measurement and reporting purposes.

The Internal Control and Internal Audit Systems make it the focal point of their work to provide reasonable assurance for the adequacy of the internal control system in place at the Bank and to improve the same, in line with a risk based approach. In their activities, these systems do not solely focus on identifying errors, but are rather concentrated on the establishment and implementation of measures that will prevent the occurrence of errors.

Independent Auditors' Report

Please refer to Appendix-1.

Financial Statements and Information on Financial Structure

Please refer to Appendix-2 & 3.

An Assessment of the Financial Status, Profitability and Solvency

As of end 2019, the Bank's total assets were recorded as TL 18,892,573 thousand.

Liquid assets accounted for 17.3% of the Bank's balance sheet.

At TL 619,094 thousand, the Bank's net securities portfolio made up a 3.3% share of its balance sheet.

Cash loans amounted to TL 13,023,574 thousand of which share of the total balance sheet was 68.9% as of year-end. The Bank's NPL ratio was 6.9%.

As of 31 December 2019, the Bank's total deposits amounted to TL 11,563,046 thousand, up 14.9% year-on-year. This corresponds to a 61.2% share of the balance sheet.

The Bank's registered share capital ceiling is TL 4 billion; its paid-in capital amounts to TL 1,535 million.

As of end-2019, the Bank showed a net profit of TL 138,554 thousand.

BURGAN BANK A.Ş. BALANCE SHEET ANALYSIS (TL THOUSAND)			
ASSETS	**31 December 2019**	**31 December 2018**	**Change (%)**
Liquid Assets (Net)	3,274,960	2,940,498	11.4
Securities (Net)	619,094	633,184	(2.2)
Loans and Factoring Receivables (Net)	13,023,574	14,085,758	(7.5)
Subsidiaries	523,728	381,091	37.4
Tangible and Intangible Assets	610,045	215,602	182.9
Other Assets (Net)	841,172	1,325,266	(36.5)
TOTAL ASSETS	**18,892,573**	**19,581,399**	**(3.5)**
LIABILITIES			
Deposits	11,563,046	10,060,455	14.9
Funds Borrowed	4,292,849	6,084,567	(29.4)
Other Liabilities	1,117,403	1,560,397	(28.4)
Shareholders' Equity	1,919,275	1,875,980	2.3
TOTAL LIABILITIES	**18,892,573**	**19,581,399**	**(3.5)**

(*) In the table above, the expected loss provisions set aside in the current period as per IFRS 9 are netted off from related balance sheet items.

BURGAN BANK A.Ş. STRUCTURAL BALANCE SHEET (%)		
ASSETS	**31 December 2019**	**31 December 2018**
Liquid Assets (Net)	17.3	15.0
Securities (Net)	3.3	3.2
Loans and Factoring Receivables (Net)	68.9	71.9
Subsidiaries	2.8	1.9
Tangible and Intangible Assets	3.2	1.1
Other Assets (Net)	4.6	6.8
TOTAL ASSETS	**100.0**	**100.0**
LIABILITIES		
Deposits	61.2	51.4
Funds Borrowed	22.7	31.1
Other Liabilities	5.9	8.0
Shareholders' Equity	10.2	9.6
TOTAL LIABILITIES	**100.0**	**100.0**

BURGAN BANK A.Ş. NET INTEREST INCOME (TL THOUSAND)			
	31 December 2019	31 December 2018	Change (%)
INTEREST INCOME	2,157,978	2,367,511	(8.9)
Interest on Loans	1,517,244	1,657,766	(8.5)
Interest on Reserve Requirements	28,593	38,792	(26.3)
Interest on Banks	53,646	78,534	(31.7)
Interest on Money Market Transactions	101,599	76,599	32.6
Interest on Securities	56,120	48,146	16.6
Other Interest Income	400,776	467,674	(14.3)
INTEREST EXPENSE	(1,494,053)	(1,729,772)	(13.6)
Interest on Deposits	(891,313)	(1,008,265)	(11.6)
Interest on Funds Borrowed	(274,348)	(282,136)	(2.8)
Interest on Money Market Borrowing	(8,605)	(8,367)	2.8
Finance lease interest expenses	(9,912)	-	100.00
Other interest expenses	(309,875)	(431,004)	(28.1)
NET INTEREST INCOME	663,925	637,739	4.1

BURGAN BANK A.Ş. NET INTEREST INCOME ANALYSIS (%)		
INTEREST INCOME	100.0	100.0
Interest on Loans	70.3	70.0
Interest on Reserve Requirements	1.3	1.6
Interest on Banks	2.5	3.3
Interest on Money Market Transactions	4.7	3.2
Interest on Securities	2.6	2.0
Other Interest Income	18.6	19.9
INTEREST EXPENSE	100.0	100.0
Interest on Deposits	59.7	58.3
Interest on Funds Borrowed	18.4	16.3
Interest on Money Market Borrowings	0.6	0.5
Interest on Leasing Transactions	0.7	0.0
Other Interest Expense	20.6	24.9

Net interest income was up by 4.1%.

Loan provisions amounted to TL 254,538 thousand.

Total operating income was TL 753,274 thousand, with an increase of 0.5% compared to the previous year.

As a result, 2019 net period profit is TL 138,554 thousand.

BURGAN BANK A.Ş. NET INCOME ANALYSIS (TL THOUSAND)			
	31 December 2019	31 December 2018	Change (%)
Net Interest Income	663,925	637,739	4.1
Net Commission and Fee Income	38,180	28,157	35.6
Dividend Income	2,769	700	295.6
Trading Income/Loss (Net)	32,868	66,378	(50.5)
Other Operating Income	15,532	16,491	(5.8)
Reserve For Loan and Other Losses	(254,538)	(239,076)	6.5
Other Operating Expenses	(401,560)	(344,864)	16.4
From Investments Accounted Based on the Equity Method	61,683	33,668	83.2
Income Before Tax	158,859	199,193	(20.2)
Tax	(20,305)	(37,434)	(45.8)
Net Income	138,554	161,759	(14.3)

Information on Risk Management Policies Implemented by Types of Risks

The Bank's risk strategy is its main component of risk management system. The Board of Directors is responsible for approving and periodically reviewing the risk policy of the Bank to ensure it is in line with corporate strategy and strategic goals. A basic component of the risk strategy is the risk appetite. The risk appetite defines which risks and into what extent the Bank will actively seek and which risks are undesirable and should be avoided or eliminated. Bank aims to set out the main elements of its risk taking activities in order to attain its business goals within the limits prescribed by the risk strategy and risk appetite.

The Bank regards the formulation of a clear and realistic risk strategy as an essential part of its overall corporate strategy and as the foundation upon which all risk management policies are to be based.

Risk Management Policies

The Bank adopts following principles that form the basis of risk management processes for a healthy risk management process:

The Board of Directors is responsible for approving and periodically reviewing the risk policy of the Bank.

Senior management is responsible for the implementation of the risk policy approved by the Board of Directors and for the development of systems and procedures for identifying, measuring, monitoring and mitigating risk.

The Bank has defined appropriate credit underwriting criteria, ensuring a thorough understanding of the borrower or counterparty, as well as the purpose and structure of the exposure and its source of repayment.

The Bank has defined certain principles and policies to ensure the efficient monitoring of market risks.

The Bank is carrying out its business by setting procedures which clearly define the responsibility and accountability of all business units engaged in a particular type of business or transaction.

Appropriate systems and processes are in place to monitor all exposures, both on or off-balance sheet.

The Bank promotes an open risk culture under which all material risks are communicated to the appropriate authorities of the Bank as well as to the Board of Directors. The Bank considers risk transparency as an essential element of its approach to risk management.

Risk management supervision is independent from any business decisions, in order to ensure sound risk governance and avoid conflicts of interest.

Risk management is properly resourced in order to carry out its mission, given the risk appetite of the Bank.

Sound risk management is a key element of Burgan Bank in its effort to achieve its business goals. The Bank has established a comprehensive risk management framework in order to ensure that risk taking which is inherent in the Bank business activities remains always within desirable and controlled parameters. The risk management framework includes clearly defined processes for the approval and authorization of all risk taking activities plus a risk oversight function in order to ensure independent monitoring and measurement of risk.

Risk Management

Bank's management aims to ensure that:

Risk taken by the Bank is always in line with the risk appetite as defined by the Board of Directors,

Total risk taken does not exceed the ability of the Bank to absorb losses,

Risk is adequately mitigated by the implementation of proper risk management systems and procedures,

Risk awareness is constituted among all units of the Bank and

Appropriate risk transparency is implemented and all risk figures are properly communicated across all relevant business units as well as to the Board of Directors.

Risk Limits

Risk limits are specified for quantified risk categories in line with the level of risk that the Bank is exposed to. In this respect, limits are determined in credit, market and operational risk categories. Risk limits are determined by the Board of Directors.

Risk limits are revised and updated depending on market conditions and changes in Bank's strategy. Board of Directors is responsible of reviewing risk limits. In case of a change is needed in risk limits, it is presented to the attention of the risk committee. After the evaluation of risk committee, the proposal is sent to the sanction of Board of Directors.

Risk Strategy Objectives

The objectives of the Bank's risk strategy with regard to the main risk categories are presented below.

Credit Risk Strategy

The Bank shall engage in lending activities towards legal entities and individuals which exhibit satisfactory creditworthiness and financial standing.

The Bank shall maintain a diversified credit portfolio. As such, all business sectors where opportunities for profitable growth exist may be eligible for lending purposes. However the effect of economic cycles and other endogenous or exogenous factors must always be taken under consideration in any credit decision.

The Bank will assume credit risk of which it has a good understanding and is capable to manage, either at individual or at portfolio level.

The Bank shall require that credit exposures are adequately covered by satisfactory collateral. Unsecured exposures shall be taken with prudence.

The Bank shall avoid significant concentrations of credit risk, either to single or groups of borrowers or sectors of the economy.

The Bank aims to extend credit facilities towards customers with a satisfactory credit history and successful overall track record. As such, the Bank shall proceed with financing of start-ups and new ventures with outmost care and on exceptional cases.

Market and Liquidity Risk Strategy

The Bank aims to ensure the efficient monitoring of market risks that emanate from its overall activities.

The Bank shall maintain a prudent approach in managing its exposure to market risk and liquidity risk.

The Bank shall be protected against unforeseen market losses through the independent identification, assessment and understanding of the market risks inherent in the business.

Risk/return balances are provided by using appropriate financial instruments in the management of cash flows.

Positions on the basis of intra-day liquidity and foreign exchange are managed in a way that is compatible with the economic interests of the Bank.

Ratings Granted by Rating Agencies and their Contents

FITCH (12 November 2019)	
Outlook	Stable
Long Term Foreign Currency	B+
Short Term Foreign Currency	B
Long Term Local Currency	BB-
Short Term Local Currency	B
Financial Capacity	b
Support	4
National	AA(tur)

Summary Financial Data for the Past Five Years Including the Reporting Period

TL thousand	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Total Assets (*)	18,892,573	19,581,399	16,807,309	13,721,616	10,674,834
Loans	13,816,067	14,085,758	13,262,537	10,685,527	8,187,754
Deposits	11,563,046	10,060,455	8,928,115	8,309,833	6,695,608
Shareholders' Equity (*)	1,919,275	1,875,980	1,512,475	1,092,558	1,012,502
Current Year Income/(Loss) (*)	138,554	161,759	109,848	71,673	52,169
Non-cash Loans	3,479,247	2,319,967	2,118,649	1,982,236	1,544,155
Capital Adequacy Ratio	21.27%	20.74%	19.59%	17.66%	15.97%

(*) The Bank adjusted related statements in accordance with the TAS 8 Accounting Policies, Turkish Accounting Standard regarding Amendments and Errors in Accounting Estimates in its financial statements and income statement as of 31 December 2014 through making rearrangements with respect to amendments in TAS 27 Separate Financial Statements Standard.

Section Four

Consolidated Financial Statements

Consolidated Financial Information

	31 December 2019 (*)	31 December 2018 (*)	Change (%)
Total Assets	21,546,808	22,028,865	(2.2)
Loans, factoring and financial lease receivables	15,911,311	16,789,201	(5.2)
Securities	619,192	633,265	(2.1)
Deposits	11,405,865	9,915,300	15.0
Borrowings and money market placements	7,059,569	8,640,307	(18.3)
Shareholders' Equity	1,919,275	1,875,980	2.3
Non-cash Loans	3,479,247	2,319,967	50.0
Current Year Income/ (Loss)	138,554	161,759	(14.3)
Capital Adequacy Ratio (*)	18.95%	18.49%	2.5

(*) Based on Consolidated Financial Statements (TL thousand)

Information on Consolidated Subsidiaries

Our consolidated subsidiaries are presented below as of 31 December 2019:

Subsidiaries	Associates	Joint Ventures
1. Burgan Finansal Kiralama A.Ş.	-	-
2. Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary Burgan Wealth Limited Dubai	-	-

(*) On 10 October 2018 the Board of Directors of Burgan Wealth Limited, a subsidiary of Burgan Yatırım, requested the cancellation of its license by applying to the Dubai Financial Services Authority (DFSA) in order to start the liquidation of the company and the liquidation process of the company is still in progress.

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

	Total Assets	Shareholders' Equity	Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value
1	3,243,350	376,287	155,400	287,250	-	39,384	35,860	-
2 (*)	177,790	147,526	2,675	28,626	11	22,299	(2,192)	-

(*) These figures include the consolidated results reported by Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary Burgan Wealth Limited Dubai.

Appendices

Appendix-1
Compliance Opinion on Annual Report

Appendix-2
Publicly Announced Unconsolidated Financial Statements and Related Disclosures together with Independent Audit Report at 31 December 2019

Appendix-3
Publicly Announced Consolidated Financial Statements and Related Disclosures Together with Independent Audit Report at 31 December 2019

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(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the General Assembly of Burgan Bank A.Ş.

1) Opinion

We have audited the annual report of Burgan Bank A.Ş. (the "Bank") and its subsidiaries (collectively referred as the "Group") for the period of January 1 – December 31, 2019.

In our opinion, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Bank are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Report* section of our report. We are independent of the Bank in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical 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) Our Auditor's Opinion on the Full Set Consolidated and Unconsolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 10, 2020 on the full set consolidated and unconsolidated financial statements of the Group and the Bank for the period of January 1 – December 31, 2019.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"), the management of the Bank is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Group and the Bank for the year, along with their financial positions in a correct, complete, straightforward, true and honest manner. In this report, the financial positions are assessed according to the consolidated and unconsolidated financial statements. The development of the Group and the Bank and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

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5) **Auditor's Responsibilities for the Audit of the Annual Report**

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's and the Bank's audited financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.

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

Yaşar Bivas, SMMM
Partner

February 10, 2020
Istanbul, Turkey

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

BURGAN BANK A.Ş.

PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES TOGETHER WITH INDEPENDENT AUDIT REPORT AT 31 DECEMBER 2019

Building a better working world

Güney Bağımsız Denetim ve SMMM A.Ş.
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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED 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 Unconsolidated Financial Statements

1) Opinion

We have audited the accompanying unconsolidated financial statements of Burgan Bank A.Ş (the "Bank") which comprise the statement of financial position as at December 31, 2019, and the unconsolidated statement of income, unconsolidated statement of income and expenses recognized under shareholders' equity, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the year then ended and notes to the unconsolidated financial statements and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at December 31, 2019 and unconsolidated financial performance and unconsolidated 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 judgement, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the Key Audit Matter is addressed in our audit
Financial impact of TFRS 9 "Financial Instruments" standard and recognition of impairment on financial assets and related important disclosures	
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: ▪ Financial assets within balance-sheet and off-balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements ▪ The applications TFRS 9 are complex and comprehensive ▪ The classification of financial instruments based on the Bank's business models and the characteristics of contractual cash flows in line with TFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows ▪ Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses ▪ The complexity and intensity of the control environment in the processes designed or reorganized for TFRS 9 ▪ Estimations and assumptions used in expected credit losses are new, important and complex ▪ Complex and comprehensive disclosure requirements of TFRS 9.	Our audit procedures in addition to our current audit procedures: ▪ Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Bank's past performance, and local and global practices ▪ Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists ▪ Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices ▪ Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Bank's business model ▪ Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Bank's historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis ▪ Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses ▪ Detailed testing of mathematical verification of expected credit losses' calculation on a sample basis ▪ Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment ▪ Evaluating the necessity and accuracy of the updates made or required updates after the modeling process ▪ Auditing of disclosures related to TFRS 9.

Derivative Financial Instruments	
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-n and Note II-g. 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.	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.

4) Responsibilities of Management and Directors for the Unconsolidated Financial Statements

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

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

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

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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

B) 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

Yaşar Bivas, SMMM
Partner

February 10, 2020
İstanbul, Türkiye

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

THE UNCONSOLIDATED 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 the Bank	: Telephone: 0 212 371 37 37 Fax : 0 212 371 42 42
Bank's Website	: www.burgan.com.tr
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The unconsolidated 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.

The accompanying unconsolidated 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	Ali Murat DİNÇ	Ümit SÖNMEZ	Ahmet CIĞA
Chairman of the Board of Directors	Member of the Board of Directors and General Manager	Head of Financial Affairs	Head of Accounting, Tax, and Reporting Unit

Halil CANTEKİN	Adrian Alejandro GOSTUSKI	Fouad Husni DOUGLAS
Head of the Audit Committee	Member of the Audit Committee	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 CIĞA / Head of Accounting, Tax, and Reporting Unit
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SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

I. 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., and has been registered to the Turkish Trade Registry as of 25 January 2013.

GENERAL INFORMATION ABOUT THE BANK (Continued):

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

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).

GENERAL INFORMATION ABOUT THE BANK (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 BANK THEY POSSESS:

Title	Name	Responsibility	Education
Chairman of the Board of Directors:	Emin Hakan Eminsoy	Chairman of Board of Directors	Undergraduate
Board of Directors Members:	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
General Manager:	Ali Murat Dinç	Member and General Manager	Graduate
Vice General Managers:	Esra Aydın	Operations & Management Services	Undergraduate
	Mutlu Akpara	Treasury, Capital Markets and Financial Institutions	Graduate
	Cihan Vural	Internal Systems	Undergraduate
	Rasim Levent Ergin	Human Resources	Graduate
	Suat Kerem Sözügüzel	Commercial and Corporate Banking	Undergraduate
	Hasan Hüseyin Uyar	Loans	Graduate
	Hasan Ufuk Dinç	Digital Banking and Information Technologies	Graduate
	Ümit Sönmez	Financial Affairs	Graduate
Audit Committee:	Halil Cantekin	Committee President	Undergraduate
	Adrian Alejandro Gostuski	Member	Graduate
	Fouad Housni Douglas	Member	Undergraduate

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

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

GENERAL INFORMATION ABOUT THE BANK (Continued):

IV. EXPLANATION ON SHAREHOLDERS HAVING CONTROL SHARES:

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

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

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

As of 31 December 2019, the Bank, whose headquarter located in Istanbul, has 35 branches operating in Turkey (31 December 2018: 41). The Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 31 December 2019, the Bank has 943 (31 December 2018: 1.006) 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

UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK

I. Balance sheet (Statement of financial position)
II. Off-balance sheet commitments
III. Statement of profit or loss
IV. Statement of profit or loss and other comprehensive income
V. Statement of changes in shareholders’ equity
VI. Statement of cash flows
VII. Profit appropriation statement

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

BURGAN BANK A.Ş.
UNCONSOLIDATED 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	Audited (31/12/2019)			Audited (31/12/2018)		
	ASSETS	Five)	TL	FC	Total	TL	FC	Total
I.	**FINANCIAL ASSETS (Net)**		**1.993.667**	**2.295.728**	**4.289.395**	**2.484.386**	**2.007.329**	**4.491.715**
1.1	**Cash and cash equivalents**		**1.252.946**	**2.022.014**	**3.274.960**	**1.375.928**	**1.564.570**	**2.940.498**
1.1.1	Cash and balances at Central Bank	I-a	172.637	1.990.025	2.162.662	1.373.256	1.373.138	2.746.394
1.1.2	Banks	I-c	540.201	31.989	572.190	3.037	191.432	194.469
1.1.3	Receivables from Money Markets		540.169	-	540.169	-	-	-
1.1.4	Expected credit losses (-)		61	-	61	365	-	365
1.2	**Financial assets at fair value through profit or loss**	**I-b**	**704**	**34.739**	**35.443**	**1.036**	**11.654**	**12.690**
1.2.1	Public debt securities		704	3.813	4.517	1.036	10.938	11.974
1.2.2	Equity instruments		-	-	-	-	-	-
1.2.3	Other financial assets		-	30.926	30.926	-	716	716
1.3	**Financial assets at fair value through other comprehensive income**	**I-d**	**168.674**	**159.728**	**328.402**	**254.318**	**134.287**	**388.605**
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	-	7.674	4.912	-	4.912
1.3.3	Other financial assets		510	-	510	500	-	500
1.4	**Derivative financial assets**	**I-l**	**571.343**	**79.247**	**650.590**	**853.104**	**296.818**	**1.149.922**
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		448.188	5.251	453.439	655.339	13.352	668.691
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)**		**4.319.291**	**8.967.206**	**13.286.497**	**5.433.477**	**8.889.082**	**14.322.559**
2.1	**Loans**	**I-e-f**	**4.626.037**	**9.190.030**	**13.816.067**	**5.677.259**	**8.999.987**	**14.677.246**
2.2	**Receivables from leasing transactions**	**I-k**	-	-	-	-	-	-
2.3	**Factoring receivables**	**I-e**	**7**	-	**7**	**7**	-	**7**
2.4	**Other financial assets measured at amortized cost**	**I-g**	-	**262.923**	**262.923**	-	**236.801**	**236.801**
2.4.1	Public debt securities		-	262.923	262.923	-	236.801	236.801
2.4.2	Other financial assets		-	-	-	-	-	-
2.5	**Expected credit losses (-)**	**I-e-f**	**306.753**	**485.747**	**792.500**	**243.789**	**347.706**	**591.495**
III.	**NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)**	**I-r**	**408.176**	-	**408.176**	**113.090**	-	**113.090**
3.1	Held for sale		408.176	-	408.176	113.090	-	113.090
3.2	Held from discontinued operations		-	-	-	-	-	-
IV.	**INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**		**523.728**	-	**523.728**	**381.091**	-	**381.091**
4.1	**Investments in associates (Net)**	**I-h**	-	-	-	-	-	-
4.1.1	Associates accounted by using equity method		-	-	-	-	-	-
4.1.2	Non-consolidated associates		-	-	-	-	-	-
4.2	**Investments in subsidiaries (Net)**	**I-i**	**523.728**	-	**523.728**	**381.091**	-	**381.091**
4.2.1	Non-consolidated financial subsidiaries		523.728	-	523.728	381.091	-	381.091
4.2.2	Non-consolidated non-financial subsidiaries		-	-	-	-	-	-
4.3	**Jointly Controlled Partnerships (Joint Ventures) (Net)**	**I-j**	-	-	-	-	-	-
4.3.1	Jointly controlled partnerships accounted by using equity method		-	-	-	-	-	-
4.3.2	Non-consolidated jointly controlled partnerships		-	-	-	-	-	-
V.	**TANGIBLE ASSETS (Net)**	**I-m**	**164.471**	-	**164.471**	**58.454**	-	**58.454**
VI.	**INTANGIBLE ASSETS (Net)**	**I-n**	**37.398**	-	**37.398**	**44.058**	-	**44.058**
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		37.398	-	37.398	44.058	-	44.058
VII.	**INVESTMENT PROPERTIES (Net)**	**I-o**	-	-	-	-	-	-
VIII.	**CURRENT TAX ASSETS**		-	-	-	**10.294**	-	**10.294**
IX.	**DEFERRED TAX ASSETS**	**I-p**	**44.480**	-	**44.480**	-	-	-
X.	**OTHER ASSETS (Net)**	**I-s**	**73.378**	**65.050**	**138.428**	**100.780**	**59.358**	**160.138**
	TOTAL ASSETS		**7.564.589**	**11.327.984**	**18.892.573**	**8.625.630**	**10.955.769**	**19.581.399**

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

BURGAN BANK A.Ş.
UNCONSOLIDATED 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	Audited (31/12/2019)			Audited (31/12/2018)		
	LIABILITIES	(Section Five)	TL	FC	Total	TL	FC	Total
I.	**DEPOSITS**	**II-a**	**3.703.958**	**7.859.088**	**11.563.046**	**4.226.304**	**5.834.151**	**10.060.455**
II.	**LOANS RECEIVED**	**II-c**	**34.728**	**2.266.255**	**2.300.983**	**14.067**	**4.299.722**	**4.313.789**
III.	**MONEY MARKET FUNDS**		**1.595**	**192.346**	**193.941**	**-**	**171.306**	**171.306**
IV.	**MARKETABLE SECURITIES (Net)**	**II-d**	**-**	**-**	**-**	**-**	**-**	**-**
4.1	Bills		-	-	-	-	-	-
4.2	Asset backed securities		-	-	-	-	-	-
4.3	Bonds		-	-	-	-	-	-
V.	**FUNDS**		**-**	**-**	**-**	**-**	**-**	**-**
5.1	Borrower funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**	**II-b**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**II-g**	**188.481**	**89.780**	**278.261**	**305.188**	**97.237**	**402.425**
7.1	Derivative financial liabilities at fair value through profit or loss		121.825	78.523	200.348	245.286	86.866	332.152
7.2	Derivative financial liabilities at fair value through other comprehensive income		66.656	11.257	77.913	59.902	10.371	70.273
VIII.	**FACTORING PAYABLES**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**LEASE PAYABLES (Net)**	**II-f**	**26.364**	**87.994**	**114.358**	**-**	**-**	**-**
X.	**PROVISIONS**	**II-h**	**65.930**	**15.737**	**81.667**	**58.438**	**26.497**	**84.935**
10.1	Provision for restructuring		-	-	-	-	-	-
10.2	Reserves for employee benefits		48.290	-	48.290	42.292	-	42.292
10.3	Insurance technical reserves (Net)		-	-	-	-	-	-
10.4	Other provisions		17.640	15.737	33.377	16.146	26.497	42.643
XI.	**CURRENT TAX LIABILITIES**	**II-i**	**34.210**	**-**	**34.210**	**26.620**	**-**	**26.620**
XII.	**DEFERRED TAX LIABILITIES**	**II-i**	**-**	**-**	**-**	**6.203**	**-**	**6.203**
XIII.	**LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)**	**II-j**	**-**	**-**	**-**	**-**	**-**	**-**
13.1	Held for sale		-	-	-	-	-	-
13.2	Related to discontinued operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT**	**II-k**	**-**	**1.797.925**	**1.797.925**	**-**	**1.599.472**	**1.599.472**
14.1	Loans		-	1.797.925	1.797.925	-	1.599.472	1.599.472
14.2	Other debt instruments		-	-	-	-	-	-
XV.	**OTHER LIABILITIES**	**II-e**	**166.203**	**442.704**	**608.907**	**177.633**	**862.581**	**1.040.214**
XVI.	**SHAREHOLDERS` EQUITY**	**II-l**	**1.935.465**	**(16.190)**	**1.919.275**	**1.872.094**	**3.886**	**1.875.980**
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		-	-	-	-	-	-
	TOTAL EQUITY AND LIABILITIES		**6.156.934**	**12.735.639**	**18.892.573**	**6.686.547**	**12.894.852**	**19.581.399**

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

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

BURGAN BANK A.Ş.
UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018

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

II.	OFF-BALANCE SHEET	Note (Section Five)	Audited (31/12/2019)			Audited (31/12/2018)		
			TL	FC	Total	TL	FC	Total
A	**OFF-BALANCE SHEET COMMITMENTS (I+II+III)**		**3.208.630**	**30.170.553**	**33.379.183**	**6.589.188**	**34.330.411**	**40.919.599**
I.	**GUARANTEES AND WARRANTIES**	**III-a-2-3**	**754.905**	**2.724.342**	**3.479.247**	**597.086**	**1.722.881**	**2.319.967**
1.1	Letters of Guarantee		754.905	1.045.827	1.800.732	596.675	1.089.509	1.686.184
1.1.1	Guarantees Subject to State Tender Law		15.047	287	15.334	10.249	3.643	13.892
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		739.858	1.045.540	1.785.398	586.426	1.085.866	1.672.292
1.2	Bank Acceptances		-	214.924	214.924	411	102.926	103.337
1.2.1	Import Letter of Acceptance		-	214.924	214.924	411	102.926	103.337
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	624.297	624.297	-	385.116	385.116
1.3.1	Documentary Letters of Credit		-	624.297	624.297	-	385.116	385.116
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	839.294	839.294	-	145.330	145.330
1.9	Other Collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**	**III-a-1**	**290.597**	**138.379**	**428.976**	**449.255**	**299.806**	**749.061**
2.1	Irrevocable Commitments		290.597	138.379	428.976	449.255	299.806	749.061
2.1.1	Asset Purchase and Sales Commitments		67.343	138.379	205.722	257.670	299.806	557.476
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Commitments for Loan Limits		151.731	-	151.731	117.343	-	117.343
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		71.523	-	71.523	74.242	-	74.242
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10	Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		-	-	-	-	-	-
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**2.163.128**	**27.307.832**	**29.470.960**	**5.542.847**	**32.307.724**	**37.850.571**
3.1	Hedging Derivative Financial Instruments		690.286	2.452.991	3.143.277	970.803	3.192.279	4.163.082
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		690.286	2.452.991	3.143.277	970.803	3.192.279	4.163.082
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		1.472.842	24.854.841	26.327.683	4.572.044	29.115.445	33.687.489
3.2.1	Forward Foreign Currency Buy/Sell Transactions		191.740	342.198	533.938	758.167	665.301	1.423.468
3.2.1.1	Forward Foreign Currency Transactions-Buy		159.606	111.731	271.337	124.973	533.112	658.085
3.2.1.2	Forward Foreign Currency Transactions-Sell		32.134	230.467	262.601	633.194	132.189	765.383
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		438.686	22.761.967	23.200.653	1.586.276	23.171.073	24.757.349
3.2.2.1	Foreign Currency Swap-Buy		174.727	5.511.909	5.686.636	1.152.608	4.555.379	5.707.987
3.2.2.2	Foreign Currency Swap-Sell		263.959	5.441.478	5.705.437	433.668	5.051.590	5.485.258
3.2.2.3	Interest Rate Swap-Buy		-	5.904.290	5.904.290	-	6.782.052	6.782.052
3.2.2.4	Interest Rate Swap-Sell		-	5.904.290	5.904.290	-	6.782.052	6.782.052
3.2.3	Foreign Currency, Interest rate and Securities Options		838.192	1.746.518	2.584.710	2.227.601	5.279.071	7.506.672
3.2.3.1	Foreign Currency Options-Buy		269.717	1.009.481	1.279.198	528.333	3.150.835	3.679.168
3.2.3.2	Foreign Currency Options-Sell		568.475	737.037	1.305.512	1.699.268	2.128.236	3.827.504
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		4.224	4.158	8.382	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		4.224	-	4.224	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	4.158	4.158	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	**CUSTODY AND PLEDGES RECEIVED (IV+V+VI)**		**55.180.855**	**50.870.916**	**106.051.771**	**37.036.009**	**43.505.919**	**80.541.928**
IV.	**ITEMS HELD IN CUSTODY**		**17.338.053**	**1.526.244**	**18.864.297**	**797.062**	**385.612**	**1.182.674**
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		16.503.030	522.415	17.025.445	104.449	182.180	286.629
4.3	Cheques Received for Collection		806.039	125.768	931.807	673.437	83.592	757.029
4.4	Commercial Notes Received for Collection		28.984	8.642	37.626	19.176	22.820	41.996
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	869.419	869.419	-	97.020	97.020
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGES RECEIVED**		**37.622.626**	**49.344.672**	**86.967.298**	**36.238.947**	**43.120.307**	**79.359.254**
5.1	Marketable Securities		79.361	-	79.361	56.132	-	56.132
5.2	Guarantee Notes		21.688.143	18.204.640	39.892.783	22.275.449	17.248.376	39.523.825
5.3	Commodity		746.113	1.361.832	2.107.945	886.897	660.754	1.547.651
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		13.477.365	25.384.363	38.861.728	11.509.609	20.785.740	32.295.349
5.6	Other Pledged Items		1.631.644	4.393.837	6.025.481	1.510.860	4.425.437	5.936.297
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		220.176	-	220.176	-	-	-
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**58.389.485**	**81.041.469**	**139.430.954**	**43.625.197**	**77.836.330**	**121.461.527**

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

BURGAN BANK A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

III.	STATEMENT OF PROFIT OR LOSS INCOME AND EXPENSE ITEMS	Note (Section Five)	Audited 01/01/2019-31/12/2019	Audited 01/01/2018-31/12/2018
I.	**INTEREST INCOME**	**IV-a**	**2.157.978**	**2.367.511**
1.1	Interest received from loans		1.517.244	1.657.766
1.2	Interest received from reserve deposits		28.593	38.792
1.3	Interest received from banks		53.646	78.534
1.4	Interest received from money market transactions		101.599	76.599
1.5	Interest received from marketable securities portfolio		56.120	48.146
1.5.1	Financial assets at fair value through profit or loss		1.514	1.318
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		-	-
1.7	Other interest income	IV-l	400.776	467.674
II.	**INTEREST EXPENSES (-)**	**IV-b**	**1.494.053**	**1.729.772**
2.1	Interest on deposits		891.313	1.008.265
2.2	Interest on funds borrowed		274.348	282.136
2.3	Interest on money market transactions		8.605	8.367
2.4	Interest on securities issued		-	-
2.5	Finance lease interest expenses		9.912	-
2.6	Other interest expenses	IV-l	309.875	431.004
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**663.925**	**637.739**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**38.180**	**28.157**
4.1	Fees and commissions received		48.587	42.958
4.1.1	Non-cash loans		27.079	23.474
4.1.2	Other	IV-l	21.508	19.484
4.2	Fees and commissions paid (-)		10.407	14.801
4.2.1	Non-cash loans (-)		62	58
4.2.2	Other (-)	IV-l	10.345	14.743
V.	**DIVIDEND INCOME**	**IV-c**	**2.769**	**700**
VI.	**TRADING PROFIT/LOSS (Net)**	**IV-d**	**32.868**	**66.378**
6.1	Profit/losses from capital market transactions		15.826	2.328
6.2	Profit/losses from derivative financial transactions		21.611	1.132
6.3	Foreign exchange profit/losses		(4.569)	62.918
VII.	**OTHER OPERATING INCOME**	**IV-e**	**15.532**	**16.491**
VIII.	**GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)**		**753.274**	**749.465**
IX.	**ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)**	**IV-f**	**254.538**	**239.076**
X.	**OTHER PROVISION EXPENSES (-)**	**IV-f**	**1.943**	**356**
XI.	**PERSONNEL EXPENSES (-)**		**195.489**	**165.196**
XII.	**OTHER OPERATING EXPENSES (-)**	**IV-g**	**204.128**	**179.312**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**97.176**	**165.525**
XIV.	**SURPLUS WRITTEN AS GAIN AFTER MERGER**		-	-
XV.	**PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES**		**61.683**	**33.668**
XVI.	**NET MONETARY POSITION GAIN/LOSS**		-	-
XVII.	**PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)**	**IV-h**	**158.859**	**199.193**
XVIII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**	**IV-i**	**(20.305)**	**(37.434)**
18.1	Current tax provision		50.761	-
18.2	Expense effect of deferred tax (+)		78.740	129.614
18.3	Income effect of deferred tax (-)		109.196	92.180
XIX.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)**	**IV-j**	**138.554**	**161.759**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-
20.1	Income from assets held for sale		-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other income from discontinued operations		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-
21.1	Expenses on assets held for sale		-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3	Other expenses from discontinued operations		-	-
XXII.	**PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XX-XXI)**		-	-
XXIII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		-	-
23.1	Current tax provision		-	-
23.2	Expense effect of deferred tax (+)		-	-
23.3	Income effect of deferred tax (-)		-	-
XXIV.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)**		-	-
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**	**IV-k**	**138.554**	**161.759**
	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.

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

	IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Audited 31/12/2019	Audited 31/12/2018
I.	**CURRENT PERIOD INCOME/LOSS**	**138.554**	**161.759**
II.	**OTHER COMPREHENSIVE INCOME**	**(94.622)**	**27.785**
2.1	**Other comprehensive income not to be reclassified to profit or loss**	**(935)**	**1.618**
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)
2.2	**Other comprehensive income to be reclassified to profit or loss**	**(93.687)**	**26.167**
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)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**43.932**	**189.544**

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Audited CURRENT PERIOD 31/12/2019	Note (Section Five)	Paid-in Capital	Share Premium	Share Cancellatio Profits	Other Capital Reserves	Other comprehensive income not to be reclassified to profit or loss 1	2	3	Other comprehensive income to be reclassified to profit or loss 4	5	6	Profit Reserves	Prior Period Profit or Loss	Current Period Net Income or Loss	Total Shareholders' Equity
I.	**Prior Period End Balance**	**II-l**	**1.535.000**	**-**	**-**	**(99)**	**19.610**	**(3.058)**	**-**	**5.670**	**(22.972)**	**81.216**	**273.197**	**(174.343)**	**161.759**	**1.875.980**
II.	**Corrections according to TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Effect of Corrections of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Amendments in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**New Balance (I+II)**		**1.535.000**	**-**	**-**	**(99)**	**19.610**	**(3.058)**	**-**	**5.670**	**(22.972)**	**81.216**	**273.197**	**(174.343)**	**161.759**	**1.875.980**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**1.103**	**(2.038)**	**-**	**79**	**20.576**	**(113.354)**	**-**	**(988)**	**138.554**	**43.932**
V.	**Capital Increase in Cash**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital Increase in Internal Resources**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Adjustment to Share Capital**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible Bonds**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Debt Instruments**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Gain or Loss related to Other Changes**		**-**	**-**	**-**	**(637)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(637)**
XI.	**Profit Distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13.572)**	**175.331**	**(161.759)**	**-**
11.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	(13.572)	175.331	(161.759)	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (III+IV+…...+X+XI)		**1.535.000**	**-**	**-**	**(736)**	**20.713**	**(5.096)**	**-**	**5.749**	**(2.396)**	**(32.138)**	**259.625**	**-**	**138.554**	**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 other comprehensive income to be reclassified as other profit or (loss)).

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

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 other comprehensive income to be reclassified as other profit or (loss)).

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

BURGAN BANK A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018

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

VI.	STATEMENT OF CASH FLOWS	Note (Section Five)	Audited 31/12/2019	Audited 31/12/2018
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**		**156.135**	**(389.384)**
1.1.1	Interest Received		2.132.304	2.188.111
1.1.2	Interest Paid		(1.480.465)	(1.670.989)
1.1.3	Dividend Received		2.769	700
1.1.4	Fees and Commissions Received		35.670	35.770
1.1.5	Other Income		-	-
1.1.6	Collections from Previously Written-off Loans and Other Receivables		259.567	274.323
1.1.7	Payments to Personnel and Service Suppliers		(195.489)	(165.196)
1.1.8	Taxes Paid		(11.482)	(7.696)
1.1.9	Other	VI-b	(586.739)	(1.044.407)
1.2	**Changes in Operating Assets and Liabilities**		**(423.881)**	**1.168.558**
1.2.1	Net Increase/(Decrease) in Financial Assets at Fair Value Through Profit or Loss		(23.875)	(7.108)
1.2.2	Net (Increase)/Decrease in Due from Banks and Other Financial Institutions		(563.590)	436.626
1.2.3	Net (Increase)/Decrease in Loans		626.070	(883.619)
1.2.4	Net (Increase)/Decrease in Other Assets		593.925	(277.055)
1.2.5	Net (Increase)/Decrease in Bank Deposits		113.746	1.222
1.2.6	Net Increase/(Decrease) in Other Deposits		1.387.999	1.101.568
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		(1.827.095)	525.541
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	VI-b	(731.061)	271.383
I.	**Net Cash Provided from Banking Operations**		**(267.746)**	**779.174**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net Cash Provided from Investing Activities**		**9.479**	**(109.733)**
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries		(100.000)	-
2.2	Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment		(13.969)	(2.774)
2.4	Disposals of Property and Equipment		31.476	8.146
2.5	Cash Paid for Purchase of Investments Available-for-Sale		(63.628)	(152.514)
2.6	Cash Obtained from Sale of Investments Available-for-Sale		155.600	37.409
2.7	Cash Paid for Purchase of Investment Securities		-	-
2.8	Cash Obtained from Sale of Investment Securities		-	-
2.9	Other		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net Cash Provided from Financing Activities**		-	**350.000**
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		-	1.696
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**	**VI-b**	**24.302**	**166.117**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)**		**(233.965)**	**1.185.558**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**VI-a**	**2.421.711**	**1.236.153**
VII.	**Cash and Cash Equivalents at end of the Period**	**VI-a**	**2.187.746**	**2.421.711**

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

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

BURGAN BANK A.Ş.
UNCONSOLIDATED PROFIT APPROPRIATION STATEMENT AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018

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

VII.	**PROFIT APPROPRIATION STATEMENT**	**(31/12/2019) (*)**	**(31/12/2018) (**)**
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
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
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**138.554**	**161.759**
1.3	PRIOR YEAR LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	-	**161.759**
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	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF ORDINARY SHARES	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF ORDINARY SHARES		
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) TL 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.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES FOR THE RELEVANT PERIOD

I. BASIS OF PRESENTATION:

a. The preparation of the 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 unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"). The format and content of the publicly announced unconsolidated 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 to related to these Financial Statements", published in the Official Gazette No. 28337, dated 28 June 2012, and changes and amendments to this Communiqué. The Bank maintains its accounting entries in Turkish Lira, in accordance with the Banking Law, Turkish Trade Law and the Turkish Tax Legislation.

The unconsolidated 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 unconsolidated financial statements and notes related to these financial statements have been expressed in thousands of Turkish Lira, unless otherwise stated.

The preparation of unconsolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being 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 Bank 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.

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

I. BASIS OF PRESENTATION (Continued):

b. Information on accounting policies and changes in financial statements:

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

Communique on "TAS 27 Separate Financial Statements" standard, which is in force in order to be applied for accounting periods after 31 December 2012 via Public Oversight Accounting and Auditing Standards Authority (POA) website and published in Official Gazette dated 28 October 2011 and numbered 28098, has entered into force through making amendments to be applied for accounting periods after 1 January 2016 with "Communique on amending the Communique on TAS 27 Separate Financial Statements" (Communique) published in the Official Gazette dated 9 April 2015 and numbered 29321.

Before the amendments in the Communique, it was specified that an entity which is preparing separate financial statements was able to recognize its investments in associates, subsidiaries and joint ventures in accordance with the cost value or in accordance with the TFRS 9 Financial Instruments Standard, with the amendments in the Communique the entity which is preparing separate financial statements will also be able to recognize its investments in associates, subsidiaries and joint ventures following the equity method.

The Bank recognized its associates, in which it has direct or indirect shares, according to equity method in accordance with the Communique having a permission to be applied earlier while preparing its unconsolidated financial tables with the 4th quarter of 2015 in conjunction with the approval letter of Banking Regulation and Supervision Authority (BRSA) dated 20 July 2015 and realized the implementation retrospectively in the framework of TAS 8 Accounting Policies, Amendments and Errors in Accounting Estimates standard.

Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş and Burgan Wealth Limited Dubai whose shares are directly or indirectly owned by the Bank, are subsidiaries included in the scope of full consolidation in the consolidated financial statements and recognized according to the equity method in separate financial statements in accordance with the Communique.

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

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

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

The overall strategy of the Bank of using financial instruments is to sustain an optimal balance between the yield of financial instruments and their risks. The most important funding source of the Bank is deposits. The Bank 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 Bank and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities being held at minimum levels and the exposed currency risk is followed within the determined levels by the Board of Directors by considering the limits given by the Banking Law.

Foreign currency denominated monetary assets and liabilities are translated with the Bank's foreign currency bid rates prevailing at the balance sheet date and related gains and losses arising from these translations 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 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 income and expenses are translated at the exchange rate of the transaction date) and the resulting foreign currency translation differences are presented as a separate item under equity. The currency of the Group is not the currency of a high inflationary economy.

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

Unconsolidated financial associates are recognized according to equity method in the framework of TAS 28 Communique on Investments in Subsidiaries and Associates with respect to TAS 27 Separate Financial Statements Communique in unconsolidated financial statements. Associates, which were recognized with cost value in the unconsolidated financial statement previously, are recognized according to equity method as of 31 December 2015 along with the year-end of 2015.

Equity method is the recognition treatment which prescribes to increase or decrease the book value of share included in associate from the change amount occurring in the period in the equity of participated partnership as the share falling to participant and deduction of dividends and associate amounts from the value which is changed in the aforementioned manner.

The Bank has no joint ventures as of 31 December 2019 and 31 December 2018.

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 Bank are currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

The Bank 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. 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 Bank 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 Bank 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.

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

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 bank 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.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE:

Fees and commission income/expenses are primarily recognized on an accrual basis or "Effective interest 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 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 Bank 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 3 "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 Bank 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 are remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

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.

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:

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 are solely payments of principal and interest at certain dates, are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are 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 the "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 fows 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 Bank's loans are recorded under the "Measured at Amortized Cost" account.

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

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

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES:

The Bank 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 Bank 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 Bank 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.

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 on the basis of 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 Bank 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 Bank 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 Bank 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.

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 "Measured at amortized cost" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "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 Rate (Internal Efficiency) method". The Bank 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 Bank has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

a. Goodwill

As of 31 December 2019, the Bank 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.

Intangibles are amortized over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilize the economic benefit of the asset and differs from 3 years to 15 years.

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

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

Property and equipment is measured at its cost when initially recognised 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 Bank has adopted the "revaluation method" in accordance with the "Communiqué Regarding the Principles and Procedures for the Tangible Assets ("TFRS 16")" for its buildings. Independent expert appraisal values 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%

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the 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 in 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 recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset, or the quality of the product or to decrease the costs.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

The Bank 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 depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a "Provision for value decrease" is recognised. Liabilities arising from the leasing transactions are included in "Financial Lease Payables" on the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Group carries out financial leasing operations as a "Lessor" via Burgan Finansal Kiralama A.Ş. which is its subsidiary and included to consolidation.

With the "TFRS 16 Leases" standard, which became effective as of 1 January 2019, the difference between the operating lease and financial lease has been removed, and 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 TFRS 16 transition process are explained in Section Three, footnote XXIX.

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

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS:

Provisions and contingent liabilities except for the allowances for expected credit losses 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 recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognised 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 Bank, 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 recognised in financial statements since this may result in the recognition of income that may never be realised. 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 recognised in the financial statements in which the change occurs.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

The Bank 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 Bank 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 Bank 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 Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Bank, 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 has 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 Bank 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.

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

XVIII. EXPLANATIONS ON TAXATION:

a. Current tax:

Many clauses of Corporate Tax Law No.5520 which are valid starting from 1 January 2006, was taken into effect after being published in the Official Gazette dated 21 June 2006 No. 26205. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 22% for 2019 (2018: 22%). The corporate tax rate is implemented on the total income of the Bank after adjusting for certain disallowable expenses (e.g. income from subsidiaries exception), 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 05.12.2017, the Corporate Tax rate which was 20% will be applied as 22% for corporate earnings for the taxation periods of 2018, 2019 and 2020.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly on their corporate income with the current rate. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

75% portion of the capital gains derived from the sale of equity investments and immovable properties before 05.12.2017, 50% portion of the capital gains derived from the sale of equity investments and immovable properties after 05.12.2017 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 five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the 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 Bank 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.

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

XIX. EXPLANATIONS ON BORROWINGS:

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

Trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortized cost" using the effective interest method.

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

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

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

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

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

XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

The bank'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.

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

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

XXIV. EXPLANATIONS ON EARNINGS PER SHARE:

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

	31 December 2019	31 December 2018
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
Earnings Per Ordinary Shares (Disclosed as 1.000 nominal in full TL)	**0,903**	**1,173**

Based on the Principal Agreement, the 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, Bank's senior management and Board Members are deemed as related parties. Transactions regarding related parties are presented in Note VII. of Section Five.

XXVI. EXPLANATIONS ON CASH AND CASH EQUIVALENTS:

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

XXVII. EXPLANATIONS ON SEGMENT REPORTING:

Operational field is distinguishable section of the Bank 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.

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

XXIX. EXPLANATIONS ON TFRS 16 LEASES STANDARD

The Bank 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

Bank – lessee :

The Bank assesses whether the contract has the quality of a lease or whether the lease includes the transaction at the beginning of a contract. In case the contract is transferred for a certain period of time to control the use of the asset defined for a price, it is either leased or includes a lease. The Bank 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 Bank

When applying 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 Bank 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 Bank's average borrowing interest rates in the case of this rate being easily determined. Otherwise, the Bank 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 Bank 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.

(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 Bank applied the TFRS 16 "Leasing" standard, which replaced the TAS 17 "Leasing" standard, as of 1 January 2019, the date of first implementation. These liabilities were measured based on the discounted current value by using the alternative borrowing rate of interest of remaining lease payments on 1 January 2019.

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

	1 January 2019	31 December 2019
Real estate	121.430	125.407
Motor Vehicles	9.266	9.165
Total asset tenure	**130.696**	**134.572**

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

	31 December 2019
Real estate	21.948
Motor Vehicles	4.235
Total asset tenure depreciation expense	**26.183**

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 1.826 has been paid in the relevant period.

	1 January 2019
Operational leasing commitments	156.124
Contracts that are excluded from the scope of TFRS 16 (-)	752
Total leasing liability	**155.372**
Discounted leasing liability (1 January 2019)	32.628
Right to use amount	**122.744**

As of 31 December 2019, net right to use asset in the unconsolidated financial statements amount to TL 108.389 and the lease liability is TL 114.358.

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

SECTION FOUR

INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON 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 3.580.806 (31 December 2018: TL 3.485.544) and the Capital adequacy ratio is 21,27% (31 December 2018: 20,74%).

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 (*)
COMMON EQUITY TIER 1 CAPITAL				
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	123.145		235.406	
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 recognised within profit for the period	-		-	
Common Equity Tier 1 Capital Before Deductions	**2.055.588**		**2.205.263**	
Deductions from Common Equity Tier 1 Capital	-		-	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-		-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	39.630		200.373	
Improvement costs for operating leasing	15.979		17.087	
Goodwill (net of related tax liability)	-		-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	37.712	37.712	43.876	43.876
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 provison	-		-	
Gains arising from securitization transactions	-		-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-		-	
Defined-benefit pension fund net assets	-		-	
Direct and indirect investments of the Bank in its own Common Equity	-		-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-		-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-		-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-		-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-		-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-		-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-		-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-		-	
Excess amount arising from mortgage servicing rights	-		-	
Excess amount arising from deferred tax assets based on temporary differences	-		-	
Other items to be defined by the BRSA	-		-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-		-	
Total Deductions From Common Equity Tier 1 Capital	**93.321**		**342.552**	
Total Common Equity Tier 1 Capital	**1.962.267**		**1.862.711**	

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

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

I. EXPLANATIONS ON EQUITY (Continued):

a. Information about total capital (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 (*)
ADDITIONAL TIER I CAPITAL				
Preferred Stock not Included in Common Equity and the Related Share Premiums	-		-	
Debt instruments and premiums approved by BRSA	-		-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-		-	
Additional Tier I Capital before Deductions	-		-	
Deductions from Additional Tier I Capital	-		-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-		-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-		-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-		-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-		-	
Other items to be defined by the BRSA	-		-	
Transition from the Core Capital to Continue to deduce Components	-		-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Eguty 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 Eguity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-		-	
Total Deductions From Additional Tier I Capital	-		-	
Total Additional Tier I Capital	-		-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**1.962.267**		**1.862.711**	
TIER II CAPITAL	-		-	
Debt instruments and share issue premiums deemed suitable by the BRSA	1.425.600		1.425.870	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-		-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	195.618		197.443	
Tier II Capital Before Deductions	**1.621.218**		**1.623.313**	
Deductions From Tier II Capital	-		-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-		-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	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 (-)	-		-	
Total Deductions from Tier II Capital	**2.679**		**480**	
Total Tier II Capital	**1.618.539**		**1.622.833**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**3.580.806**		**3.485.544**	
Deductions from Total Capital	-		-	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-		-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-		-	
Other items to be defined by the BRSA	-		-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-		-	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Eguity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

I. EXPLANATIONS ON EQUITY (Continued):

a. Information about total capital (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 (*)
TOTAL CAPITAL				
Total Capital	3.580.806		3.485.544	
Total risk weighted amounts	16.837.504		16.808.918	
Capital Adequacy Ratios				
Core Capital Adequacy Ratio (%)	11,65		11,08	
Tier 1 Capital Adequacy Ratio (%)	11,65		11,08	
Capital Adequacy Ratio (%)	21,27		20,74	
BUFFERS				
Total buffer 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. Systematic significant buffer (%)	-		-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	7,15		6,58	
Amounts below the Excess Limits as per the Deduction Principles				
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-		-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-		-	
Remaining mortgage servicing rights	-		-	
Amount arising from deferred tax assets based on temporary differences	130.048		158.416	
Limits related to provisions considered in Tier II calculation				
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	532.528		424.885	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	195.618		197.443	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)				
Upper limit for Additional Tier I Capital subjected to temprorary Article 4	-		-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temprorary Article 4	-		-	
Upper limit for Additional Tier II Capital subjected to temprorary Article 4	-		-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temprorary Article 4	-		-	

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

I. EXPLANATIONS ON EQUITY (Continued):

b. Information on instruments related to equity estimation

Details on debt instruments that will be included in equity calculation:		
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 Treatmentin Equity Calculation	Supplementary Capital	Supplementary Capital
Assesment whether it is subject to being taken into consideration as 10% decreased as of 1/1/12015	No	No
Validity status in a consolidated or unconsolidated basis or in a consolidated and unconsolidated basis	Stand Alone - Consolidated	Stand Alone - 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-amortised cost	Liability-Subordinated Loans-amortised cost
Original date of issuance of the debt instrument	06.12.2013	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 whch 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 supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.
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.

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

I. EXPLANATIONS ON EQUITY (Continued):

c. Information related to the TFRS 9 transition process:

	T	T-1	T-2	T-3
EQUITY ITEMS				
Common Equity Tier 1 Capital	1.962.267	1.930.039	1.897.812	1.865.584
Common Equity Tier 1 Capital Without the Implementation of the Transition Process	1.865.584	1.865.584	1.865.584	1.865.584
Tier 1 Capital	1.962.267	1.930.039	1.897.812	1.865.584
Tier 1 Capital Without the Implementation of the Transition Process	1.865.584	1.865.584	1.865.584	1.865.584
Equity	3.677.489	3.645.261	3.613.034	3.580.806
Equity Without the Implementation of the Transition Process	3.580.806	3.580.806	3.580.806	3.580.806
TOTAL RISK WEIGHTED AMOUNTS				
Total Risk Weighted Amounts	16.837.504	16.837.504	16.837.504	16.837.504
CAPITAL ADEQUACY RATIOS				
Common Equity Tier 1 Capital Adequacy Ratio (%)	11,65	11,46	11,27	11,08
Common Equity Tier 1 Capital Adequacy Ratio Without the Implementation of the Transition Process	11,08	11,08	11,08	11,08
Tier 1 Capital Adequacy Ratio (%)	11,65	11,46	11,27	11,08
Tier 1 Capital Adequacy Ratio Without the Implementation of the Transition Process	11,08	11,08	11,08	11,08
Capital Adequacy Ratio (%)	21,84	21,65	21,46	21,27
Capital Adequacy Ratio Without the Implementation of the Transition Process	21,27	21,27	21,27	21,27
LEVERAGE RATIO				
Leverage Ratio Total Risk Amount	23.913.040	23.913.040	23.913.040	23.913.040
Leverage Ratio (%)	8,18	8,07	7,94	7,80
Leverage Ratio Without the Implementation of the Transition Process	7,77	7,77	7,77	7,77

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

II. EXPLANATIONS ON CREDIT RISK :

Credit risk represents the potential financial loss that the 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 at regular intervals. Account status documents obtained for the issued credits are audited to make sure that the documents are meeting the requirements of the relevant legislation given that the cash transactions are exempted from this rule. As a result of regular monitoring of credit worthiness, credit limits have been changed when necessary. Loans and other receivables are collateralized considering the credit worthiness.

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

The 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 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 or refinancing loans are evaluated by headquarters and authorized upper management.
- Derivative products' limits cannot be allocated in Brach authorization. Foreign currency loans and counter party / external guarantees cannot be issued by branches.

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

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

II. EXPLANATIONS ON 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. According to the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves," stage II loans and 90 day-delayed loans are considered as non-performing loan and general provision is allocated within TFRS 9.

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

31 December 2019 **Risk Group**	**Amount**	**Average**
Claims on sovereigns and Central Banks	2.647.575	2.542.678
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	2.290.307	2.371.586
Claims on corporates	10.688.310	10.188.134
Claims included in the regulatory retail portfolios	514.551	576.103
Claims secured by residential property	4.947.053	5.196.347
Past due loans	670.561	567.987
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	1.297.890	1.089.798
Total	**23.262.393**	**22.557.802**

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

31 December 2018		
Risk Group	**Amount**	**Average**
Claims on sovereigns and Central Banks	3.307.678	2.978.997
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	1.709.386	1.837.557
Claims on corporates	9.992.738	10.941.150
Claims included in the regulatory retail portfolios	690.398	783.746
Claims secured by residential property	5.692.941	5.069.282
Past due loans	491.702	333.137
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	729.209	729.339
Total	**22.614.090**	**22.673.263**

The Bank's derivative transactions are mainly composed of foreign exchange and interest rate swaps money and foreign exchange 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 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 Bank does not perform any kind of banking activity abroad.

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

In the current period, the share of the Bank's receivables due to cash loans extended to its top 100 and top 200 customers are 79%, 86% (31 December 2018: 76% and 84%) within the total cash loan portfolio.

In the current period, the share of the Bank's receivables due to non-cash loans extended to its top 100 and top 200 customers are 53%, 78% (31 December 2018: 62% and 76%) within the total non-cash loans portfolio.

In the current period, the share of the Bank's receivables due to the total of cash and non cash loans extended to its top 100 and top 200 customers are 74%, 85% (31 December 2018: 74% and 83%) within cash loans in balance sheet and non-cash loans in off-balance sheet.

As of 31 December 2019, the Bank's allocated expected credit losses for loans amounts to TL 532.528 (31 December 2018: TL 424.885).

a. Information on types of loans and specific provisions:

31 December 2019	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Standard Loans	9.652.403	509.940	-	7	10.162.350
Loans under close monitoring	2.667.754	38.826	-	-	2.706.580
Non-performing loans	918.292	28.554	298	-	947.144
Specific provision (-)	260.190	16.115	278	-	276.583
Total	**12.978.259**	**561.205**	**20**	**7**	**13.539.491**

31 December 2018	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Standard Loans	11.519.652	615.626	-	7	12.135.285
Loans under close monitoring	1.814.350	41.169	-	-	1.855.519
Non-performing loans	662.297	23.379	773	-	686.449
Specific provision (-)	179.498	14.576	673	-	194.747
Total	**13.816.801**	**665.598**	**100**	**7**	**14.482.506**

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

31 December 2019	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Past due 0-30 days	2.487.878	49.108	-	-	2.536.986
Past due 30-60 days	122.791	15.306	-	-	138.097
Past due 60-90 days	77.592	13.909	-	-	91.501
Total	**2.688.261**	**78.323**	**-**	**-**	**2.766.584**

31 December 2018	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Past due 0-30 days	1.615.637	73.462	-	-	1.689.099
Past due 30-60 days	98.147	20.474	-	-	118.621
Past due 60-90 days	194.019	9.197	-	-	203.216
Total	**1.907.803**	**103.133**	**-**	**-**	**2.010.936**

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

31 December 2019 Moody's Rating	Financial Assets at Fair Value through P/L (Net)	Financial Assets at Fair Value through Other Comprehensive Income (Net)	Other Financial Assets Measured at Amortized Cost (Net)	Total
B1 (*)	4.517	320.728	262.923	588.168
Total	**4.517**	**320.728**	**262.923**	**588.168**

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

31 December 2018 Moody's Rating	Financial Assets at Fair Value through P/L (Net)	Financial Assets at Fair Value through Other Comprehensive Income (Net)	Other Financial Assets Measured at Amortized Cost (Net)	Total
Ba3 (*)	11.974	383.693	236.801	632.468
Total	**11.974**	**383.693**	**236.801**	**632.468**

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

d. Information on rating concentration:

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

	31 December 2019	31 December 2018
Above average (%)	28,22	22,51
Average (%)	53,79	53,93
Below average (%)	14,53	19,52
Not rated (%)	3,45	4,04

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

31 December 2019	Corporate Loans	Consumer Loans	Credit Cards	Factoring Receivables	Total
Loans under close monitoring	983.117	18.955	-	-	1.002.072
Non-performing loans	87.565	-	-	-	87.565
Total	**1.070.682**	**18.955**	**-**	**-**	**1.089.637**

31 December 2018	Corporate Loans	Consumer Loans	Credit Cards	Factoring Receivables	Total
Loans under close monitoring	783.879	16.205	-	-	800.084
Non-performing loans	350.571	1.175	111	-	351.857
Total	**1.134.450**	**17.380**	**111**	**-**	**1.151.941**

Type of Collaterals	31 December 2019	31 December 2018
Real-estate mortgage	683.085	723.646
Pledge	64.546	77.694
Cash and cash equivalents	342.006	350.601
Total	**1.089.637**	**1.151.941**

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

f. Profile of significant exposures in major regions:

	Exposure Categories (*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
31 December 2019																		
Domestic	3.654.647	198.532	71	-	-	786.165	9.016.205	464.277	4.804.383	670.561	-	-	-	-	-	-	1.306.506	20.901.347
EU Countries	-	-	-	7.543	-	956.291	15	8	1	-	-	-	-	-	-	-	-	963.858
OECD Countries (**)	-	-	-	-	-	15.243	-	-	-	-	-	-	-	-	-	-	-	15.243
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	9.155	-	-	-	-	-	-	-	-	-	-	-	9.155
Other Countries	-	-	-	-	-	6.889	18	1	474	-	-	-	-	-	-	-	-	7.382
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total																		
	3.654.647	**198.532**	**71**	**7.543**	**-**	**1.773.743**	**9.016.238**	**464.286**	**4.804.858**	**670.561**	**-**	**-**	**-**	**-**	**-**	**-**	**1.306.506**	**21.896.985**

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.

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

	Exposure Categories (*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
31 December 2018																		
Domestic	4.087.893	-	8	-	-	42.328	8.599.951	595.661	5.472.655	491.702	-	-	-	-	-	-	729.212	20.019.410
EU Countries	-	-	-	-	-	1.440.777	-	5	-	-	-	-	-	-	-	-	-	1.440.782
OECD Countries (**)	-	-	-	-	-	655	-	-	-	-	-	-	-	-	-	-	-	655
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	13.199	-	5	-	-	-	-	-	-	-	-	-	13.204
Other Countries	-	-	-	-	-	168.008	3.026	1	-	-	-	-	-	-	-	-	-	171.035
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**4.087.893**	-	**8**	-	-	**1.664.967**	**8.602.977**	**595.672**	**5.472.655**	**491.702**	-	-	-	-	-	-	**729.212**	**21.645.086**

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.

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

g. Risk profile according to sectors and counterparties:

	Exposure Categories (*)																			
31 December 2019	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	-	-	-	-	-	-	**69.578**	**2.725**	**4.982**	**1.167**	-	-	-	-	-	-	-	**24.208**	**54.244**	**78.452**
Farming and Stockbreeding	-	-	-	-	-	-	63.255	2.725	3.395	1.164	-	-	-	-	-	-	-	19.293	51.246	70.539
Forestry	-	-	-	-	-	-	1	-	156	1	-	-	-	-	-	-	-	158	-	158
Fishery	-	-	-	-	-	-	6.322	-	1.431	2	-	-	-	-	-	-	-	4.757	2.998	7.755
Manufacturing	-	-	-	-	-	-	**4.216.636**	**16.191**	**1.130.797**	**219.408**	-	-	-	-	-	-	-	**895.225**	**4.687.807**	**5.583.032**
Mining and Quarrying	-	-	-	-	-	-	175.130	840	638.698	28.425	-	-	-	-	-	-	-	87.590	755.503	843.093
Production	-	-	-	-	-	-	2.898.585	15.301	480.794	190.979	-	-	-	-	-	-	-	745.894	2.839.765	3.585.659
Electricity, Gas and Water	-	-	-	-	-	-	1.142.921	50	11.305	4	-	-	-	-	-	-	-	61.741	1.092.539	1.154.280
Construction	-	-	-	-	-	-	**2.023.708**	**3.839**	**1.813.413**	**230.772**	-	-	-	-	-	-	-	**1.157.969**	**2.913.763**	**4.071.732**
Services	-	-	-	**7.543**	-	**1.773.743**	**2.592.348**	**15.180**	**1.733.957**	**190.206**	-	-	-	-	-	-	-	**1.911.719**	**4.401.258**	**6.312.977**
Wholesale and Retail Trade	-	-	-	-	-	-	1.280.079	10.957	173.288	86.394	-	-	-	-	-	-	-	568.202	982.516	1.550.718
Hotel, Food and Beverage services	-	-	-	-	-	-	422.942	310	1.080.247	16.559	-	-	-	-	-	-	-	52.429	1.467.629	1.520.058
Transportation and Telecom	-	-	-	-	-	-	376.684	1.338	208.542	52.747	-	-	-	-	-	-	-	235.154	404.157	639.311
Financial Institutions	-	-	-	7.543	-	1.773.743	315.265	197	60.138	137	-	-	-	-	-	-	-	934.360	1.222.663	2.157.023
Real Estate and Rental Services	-	-	-	-	-	-	137.238	2.061	202.956	28.626	-	-	-	-	-	-	-	77.186	293.695	370.881
Self-employment Services	-	-	-	-	-	-	24.530	40	2.441	148	-	-	-	-	-	-	-	14.943	12.216	27.159
Educational Services	-	-	-	-	-	-	5.440	90	3.319	3.374	-	-	-	-	-	-	-	10.921	1.302	12.223
Health and Social Services	-	-	-	-	-	-	30.170	187	3.026	2.221	-	-	-	-	-	-	-	18.524	17.080	35.604
Other	**3.654.647**	**198.532**	**71**	-	-	-	**113.968**	**426.351**	**121.709**	**29.008**	-	-	-	-	-	-	**1.306.506**	**3.166.210**	**2.684.582**	**5.850.792**
Total	**3.654.647**	**198.532**	**71**	**7.543**	-	**1.773.743**	**9.016.238**	**464.286**	**4.804.858**	**670.561**	-	-	-	-	-	-	**1.306.506**	**7.155.331**	**14.741.654**	**21.896.985**

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

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

g. Risk profile according to sectors and counterparties:

31 December 2018	Exposure Categories (*)																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	**-**	**-**	**-**	**-**	**-**	**-**	**16.739**	**2.563**	**8.172**	**2.476**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24.041**	**12.044**	**36.085**
Farming and Stockbreeding	-	-	-	-	-	-	16.660	2.563	5.811	2.473	-	-	-	-	-	-	-	21.598	12.044	33.642
Forestry	-	-	-	-	-	-	7	-	-	-	-	-	-	-	-	-	-	7	-	7
Fishery	-	-	-	-	-	-	72	-	2.361	3	-	-	-	-	-	-	-	2.436	-	2.436
Manufacturing	**-**	**-**	**-**	**-**	**-**	**-**	**3.305.450**	**35.108**	**1.361.443**	**90.544**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**764.593**	**4.117.711**	**4.882.304**
Mining and Quarrying	-	-	-	-	-	-	138.430	2.962	634.581	2.249	-	-	-	-	-	-	-	76.979	701.243	778.222
Production	-	-	-	-	-	-	2.414.163	32.032	620.414	88.295	-	-	-	-	-	-	-	683.035	2.561.628	3.244.663
Electricity, Gas and Water	-	-	-	-	-	-	752.857	114	106.448	-	-	-	-	-	-	-	-	4.579	854.840	859.419
Construction	**-**	**-**	**-**	**-**	**-**	**-**	**2.078.244**	**12.299**	**2.267.460**	**130.984**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.484.102**	**3.083.613**	**4.567.715**
Services	**-**	**-**	**-**	**-**	**-**	**1.664.967**	**3.140.007**	**25.984**	**1.690.090**	**149.627**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.720.191**	**5.075.370**	**6.795.561**
Wholesale and Retail Trade	-	-	-	-	-	-	1.291.032	15.616	271.708	46.850	-	-	-	-	-	-	-	593.952	1.061.778	1.655.730
Hotel, Food and Beverage services	-	-	-	-	-	-	563.155	2.150	975.113	1.262	-	-	-	-	-	-	-	133.132	1.479.557	1.612.689
Transportation and Telecom	-	-	-	-	-	-	303.321	2.865	167.442	57.652	-	-	-	-	-	-	-	181.633	349.647	531.280
Financial Institutions	-	-	-	-	-	1.664.967	769.655	2.049	64.960	1.222	-	-	-	-	-	-	-	688.654	1.814.199	2.502.853
Real Estate and Rental Services	-	-	-	-	-	-	157.918	1.151	191.092	37.952	-	-	-	-	-	-	-	72.140	339.326	411.466
Self-employment Services	-	-	-	-	-	-	4.202	1.040	2.520	132	-	-	-	-	-	-	-	7.415	479	7.894
Educational Services	-	-	-	-	-	-	12.705	127	6.429	3.804	-	-	-	-	-	-	-	12.285	10.780	23.065
Health and Social Services	-	-	-	-	-	-	38.019	986	10.826	753	-	-	-	-	-	-	-	30.980	19.604	50.584
Other	**4.087.893**	**-**	**8**	**-**	**-**	**-**	**62.537**	**519.718**	**145.490**	**118.071**	**-**	**-**	**-**	**-**	**-**	**-**	**729.212**	**3.596.535**	**1.766.886**	**5.363.421**
Total	**4.087.893**	**-**	**8**	**-**	**-**	**1.664.967**	**8.602.977**	**595.672**	**5.472.655**	**491.702**	**-**	**-**	**-**	**-**	**-**		**729.212**	**7.589.462**	**14.055.624**	**21.645.086**

1. Conditional and unconditional exposures to central governments or central banks
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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

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

31 December 2019	Term To Maturity				
Risk classifications	**1 Month**	**1-3 Months**	**3-6 Months**	**6-12 Months**	**Over 1 Year**
Claims on sovereigns and Central Banks	497.502	79.808	23.477	17.191	1.015.054
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	710.618	320.595	104.914	130.678	483.825
Claims on corporates	1.296.410	708.589	879.528	1.449.460	4.682.251
Claims included in the regulatory retail portfolios	22.398	7.464	21.769	66.339	346.317
Claims secured by residential property	82.278	94.026	166.717	523.299	3.938.535
Past due loans	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	**2.609.277**	**1.210.482**	**1.196.405**	**2.186.967**	**10.672.057**

31 December 2018	Term To Maturity				
Risk classifications	**1 Month**	**1-3 Months**	**3-6 Months**	**6-12 Months**	**Over 1 Year**
Claims on sovereigns and Central Banks	480.155	7.813	78.264	104.464	1.209.464
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	458.170	478.134	63.572	122.255	488.324
Claims on corporates	2.141.938	611.451	857.027	1.269.679	3.722.882
Claims included in the regulatory retail portfolios	34.957	20.095	29.142	63.761	447.722
Claims secured by residential property	175.943	145.692	297.742	345.415	4.507.861
Past due loans	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	**3.291.171**	**1.263.185**	**1.325.747**	**1.905.574**	**10.376.253**

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

i. Information about the risk exposure categories:

In the standard approach calculations, the Bank 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:

31 December 2019 Risk Weights	0%	20%	35%	50%	75%	100%	150%	Deductions from Equity
1.Exposures before Credit Risk Mitigation	2.374.864	1.129.853	564.303	3.989.785	472.234	13.224.523	141.421	2.679
2. Exposures after Credit Risks Mitigation (*)	2.928.175	1.737.714	536.822	3.263.519	451.384	12.906.048	73.321	2.679

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

31 December 2018 Risk Weights	0%	20%	35%	50%	75%	100%	150%	Deductions from Equity
1.Exposures before Credit Risk Mitigation	2.223.791	758.306	792.154	3.876.554	635.002	13.157.913	201.366	480
2. Exposures after Credit Risks Mitigation (*)	3.016.353	818.657	747.926	3.571.075	576.478	12.792.401	122.196	480

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

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

31 December 2019	Loans		Provisions	
Major Sectors / Counterparties	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)
Agriculture	**3.381**	**1.772**	**1**	**605**
Farming and Stockbreeding	3.381	1.763	1	599
Forestry	-	4	-	3
Fishery	-	5	-	3
Manufacturing	**450.239**	**316.828**	**97.483**	**97.420**
Mining and Quarrying	25.682	33.292	546	4.867
Production	424.328	283.525	96.937	92.546
Electricity, Gas and Water	229	11	-	7
Construction	**467.900**	**290.578**	**24.896**	**59.806**
Services	**1.429.190**	**292.494**	**259.958**	**102.288**
Wholesale and Retail Trade	506.613	143.363	78.636	56.969
Accommodation and Dining	602.918	20.369	134.805	3.810
Transportation and Telecom	26.998	75.750	228	23.003
Financial Institutions	-	423	-	286
Real Estate and Rental Services	280.265	45.362	46.081	16.736
Professional Services	-	154	-	6
Educational Services	6.111	4.499	3	1.125
Health and Social Services	6.285	2.574	205	353
Other	**415.874**	**45.472**	**87.955**	**16.464**
Total	**2.766.584**	**947.144**	**470.293**	**276.583**

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

31 December 2018	Credits		Provisions	
Major Sectors / Counterparties	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)
Agriculture	**2.256**	**5.382**	**8**	**2.906**
Farming and Stockbreeding	1.863	4.815	8	2.342
Forestry	-	539	-	539
Fishery	393	28	-	25
Manufacturing	**325.568**	**156.510**	**96.062**	**65.966**
Mining and Quarrying	21.889	5.945	810	3.696
Production	303.273	150.561	95.252	62.266
Electricity, Gas and Water	406	4	-	4
Construction	**272.682**	**161.676**	**13.334**	**30.692**
Services	**851.887**	**225.184**	**98.521**	**75.557**
Wholesale and Retail Trade	61.033	87.006	8.490	40.156
Accommodation and Dining	564.275	2.690	69.084	1.428
Transportation and Telecom	2.118	76.866	8	19.214
Financial Institutions	111	1.501	-	279
Real Estate and Rental Services	218.143	51.070	20.888	13.118
Professional Services	-	188	-	56
Educational Services	345	4.931	27	1.127
Health and Social Services	5.862	932	24	179
Other	**403.126**	**137.697**	**95.581**	**19.626**
Total	**1.855.519**	**686.449**	**303.506**	**194.747**

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

l. Information about Value Adjustment and Change in Provisions:

31 December 2019	Opening Balance	Provision for Period	Write off from Asset(*)	Other Adjustments (**)	Closing Balance
1. Specific Provisions (***)	203.260	227.903	(59.706)	(86.564)	284.893
2. General Provisions	424.885	109.105	(22.764)	21.302	532.528
TOTAL	**628.145**	**337.008**	**(82.470)**	**(65.262)**	**817.421**

(*) 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 54.110.
(***) Includes specific provisions allocated for uncompensated non-cash loans which the Bank has classified as non-performing loans.

31 December 2018	Opening Balance	IFRS 9 Transition Effect	Provision for Period	Write off from Asset	Other Adjustments (*)	Closing Balance
1. Specific Provisions (**)	184.694	4.492	240.722	17.172	(243.820)	203.260
2. General Provisions	150.032	206.587	-	(18.818)	87.084	424.885
TOTAL	**334.726**	**211.079**	**240.722**	**(1.646)**	**(156.736)**	**628.145**

(*) 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.

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

III. EXPLANATIONS ON RISK MANAGEMENT:

Risk Management Approach and Risk Weighted Amounts

a. Risk Management Approach of the Bank:

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

The Bank prepares its business strategy including medium and long term growth objectives and makes an annual revision through reviewing. The Bank reviews its business strategy annually in a periodic manner and aforementioned business strategies are reviewed ad hoc and more frequently and can be revised if it is required by economic developments and market conditions. Risk appetite of the Bank 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 Bank, comprise main inputs of risk appetite determined by Board of Directors.

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

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 Department, 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 Risk Committee is responsible for the development of risk management systems in line with business strategy and risk appetite of the Bank, 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 Bank together with the monitoring and controlling of liquidity and exchange risks through holding meetings on a weekly basis.

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

Risk Management Group, which carries out its activities independent from executive functions, consist of Credit Risk and Modelling Unit, Market Risk Unit and Operational Risk Unit which operate under the Credit and Market Risk Unit. Credit Risk and Modelling Unit is responsible for defining, measuring, monitoring and reporting of outputs with respect to risks exposed by the 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 unit 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 Unit is responsible for defining, measuring, monitoring and reporting of outputs with respect to risks exposed by the Bank and its partners which are subject to consolidation. The Unit 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 unit in question.

Operational Risk Unit carries out definition, measurement, assessment, 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 Operational 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 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.

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

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 Bank. 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 Bank, expected and unexpected loss estimations, impacts of negative conditions on balance sheet of the Bank 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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

3. Channels which are used to extend and apply risk culture in the Bank(Continued):

departments are informed in order to ensure taking of pre-determined measures and results are monitored by Risk Management Group.

4. Main components and scope of Risk measurement systems:

Rating is used for corporate and commercial customers while score card and decision tree is used for retail loans in the Bank 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 executed/coordinated by Credit Risk and Modelling Unit. The Bank has information systems enabling reporting according to sector, segment, branch, exchange rate, maturity, internal rating grade and risk class of credit portfolio. Risk appetite limits determined in the Loan Risk Policy are monitored on a monthly basis and conclusions reported to Board of Directors and senior management.

The Bank determines internal limits which are revised in the framework of business model, strategy and risk appetite of the Bank 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 Bank records operational risk events in the operational risk database and performs self-evaluation studies in order to raise awareness in operational risks, determine current operational risks and reduce possible negative impacts of such risks to minimum.

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

Risk Management Group reports results of analysis related to risks such as credit, liquidity and operational to Board of Directors, Audit Committee, Board 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 of customers; 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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

developments of operational risks based on loss categories and their distribution based on Bank and subsidiaries are included in aforementioned reports.

6. Disclosures on Stress Test:

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

Determination of actions towards mitigation through assessing 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 distruption 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.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

b. Overview of RWA

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 30 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)	15.094.397	15.112.528	1.207.552
2	Standardised approach (SA)	15.094.397	15.112.528	1.207.552
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	555.067	682.949	44.405
5	Standardised approach for counterparty credit risk (SACCR)	555.067	682.949	44.405
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	114.989	187.613	9.199
17	Standardised approach (SA)	114.989	187.613	9.199
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	1.073.051	825.828	85.844
20	Basic indicator approach	1.073.051	825.828	85.844
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor Adjustments	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**16.837.504**	**16.808.918**	**1.347.000**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

c. Relations between Financial Tables and Regulatory Exposure Volume

1. Differences and Matchmaking Between Accounting Consolidation and Legal Consolidation

31 December 2019			Carrying values of items in accordance with TAS			
	Valued amount according to TAS within legal consolidation (*)	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with the Central Bank (net)	2.162.662	2.162.662	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss (net)	232.594	-	197.151	-	191.406	2.679
Financial Assets at Fair Value Through Profit or Loss (net)	-	-	-	-	-	-
Banks (net)	572.129	572.190	-	-	-	-
Money Market Placements (net)	540.169	-	540.169	-	-	-
Financial Assets Available-for-Sale (net)	328.402	328.402	11.651	-	-	-
Loans and Receivables (net)	13.023.567	13.539.485	-	-	-	-
Factoring Receivables (net)	7	7	-	-	-	-
Other Financial Assets measured at Amortized Cost (net)	262.923	262.923	247.227	-	-	-
Investment in Associates (net)	-	-	-	-	-	-
Investment in Subsidiaries (net)	523.728	523.728	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-	-
Lease Receivables (net)	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging (net)	453.439	-	453.439	-	-	-
Property And Equipment (net)	164.471	148.492	-	-	-	15.979
Intangible Assets (net)	37.398	-	-	-	-	37.398
Investment Property (net)	-	-	-	-	-	-
Tax Asset (net)	44.480	44.480	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (net)	408.176	408.176	-	-	-	-
Other Assets (net)	138.428	139.134	-	-	-	-
Total assets	**18.892.573**	**18.129.679**	**1.449.637**	**-**	**191.406**	**56.056**
Liabilities						
Deposits	11.563.046	-	-	-	-	11.563.046
Derivative Financial Liabilities Held for Trading	200.348	-	197.011	-	163.199	3.337
Funds Borrowed	2.300.983	-	-	-	-	2.300.983
Money Markets	193.941	-	193.941	-	-	-
Marketable Securities Issued	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables	497.518	-	-	-	-	497.518
Other Liabilities	111.389	-	-	-	-	111.389
Factoring Payables	-	-	-	-	-	-
Lease Payables	114.358	-	-	-	-	114.358
Derivative Financial Liabilities Held For Hedging	77.913	-	-	-	-	77.913
Provisions	81.667	-	-	-	-	81.667
Tax Liability	34.210	-	-	-	-	34.210
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	1.797.925	-	-	-	-	1.797.925
Shareholder's Equity	1.919.275	-	-	-	-	1.919.275
Total liabilities	**18.892.573**	**-**	**390.952**	**-**	**163.199**	**18.501.621**

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

c. Relations between Financial Tables and Regulatory Exposure Volume (Continued):

1. Differences and Matchmaking Between Accounting Consolidation and Legal Consolidation

31 December 2018			Carrying values of items in accordance with TAS			
	Valued amount according to TAS within legal consolidation (*)	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with the Central Bank (net)	2.746.394	2.746.394	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss (net)	493.921	-	481.231	-	265.525	480
Financial Assets at Fair Value Through Profit or Loss (net)	-	-	-	-	-	-
Banks (net)	194.104	194.469	-	-	-	-
Money Market Placements (net)	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income (net)	388.520	388.605	-	-	-	-
Loans and Receivables (net)	14.085.751	14.479.340	-	-	-	-
Factoring Receivables (net)	7	7	-	-	-	-
Other Financial Assets measured at Amortized Cost (net)	236.801	236.801	222.667	-	-	-
Investment in Associates (net)	-	-	-	-	-	-
Investment in Subsidiaries (net)	381.091	381.091	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-	-
Lease Receivables (net)	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging (net)	668.691	-	668.691	-	-	-
Property And Equipment (net)	58.454	41.367	-	-	-	17.087
Intangible Assets (net)	44.058					44.058
Investment Property (net)	-	-	-	-	-	-
Tax Asset (net)	10.294	10.294	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (net)	113.090	113.090	-	-	-	-
Other Assets (net)	160.223	156.490	-	-	-	-
Total assets	**19.581.399**	**18.747.948**	**1.372.589**	**-**	**265.525**	**61.625**
Liabilities						
Deposits	10.060.455	-	-	-	-	10.060.455
Derivative Financial Liabilities Held for Trading	332.152	-	282.691	-	212.293	49.461
Funds Borrowed	4.313.789	-	-	-	-	4.313.789
Money Markets	171.306	-	171.306	-	-	-
Marketable Securities Issued	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables	885.472	-	-	-	-	885.472
Other Liabilities	154.742	-	-	-	-	154.742
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	70.273	-	-	-	-	70.273
Provisions	84.935	-	-	-	-	84.935
Tax Liability	32.823	-	-	-	-	32.823
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	1.599.472	-	-	-	-	1.599.472
Shareholder's Equity	1.875.980	-	-	-	-	1.875.980
Total liabilities	**19.581.399**	**-**	**453.991**	**-**	**212.293**	**19.127.402**

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Main Sources of Differences between Amounts valued in accordance with TAS and Risk Exposures

	31 December 2019	Total	Subject To Credit Risk	Subject to Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	19.770.722	18.129.679	-	1.449.637	191.406
2	Liabilities carrying value amount under regulatory scope of consolidation	(554.151)	-	-	(390.952)	(163.199)
3	Total net amount under regulatory scope of consolidation	19.216.571	18.129.679	-	1.058.685	28.207
4	Off-Balance Sheet Amounts	3.690.087	3.690.087	-	-	-
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	(894.686)	(1.365.409)	-	383.941	86.782
9	Differences due to risk reduction	-	-	-	-	-
10	Risk Amounts	22.011.972	20.454.357	-	1.442.626	114.989

	31 December 2018	Total	Subject To Credit Risk	Subject to Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	20.386.062	18.747.948	-	1.372.589	265.525
2	Liabilities carrying value amount under regulatory scope of consolidation	(666.290)	-	-	(453.997)	(212.293)
3	Total net amount under regulatory scope of consolidation	19.719.772	18.747.948	-	918.592	53.232
4	Off-Balance Sheet Amounts	2.498.626	2.498.626	-	-	-
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	(385.699)	(969.003)	-	448.923	134.381
9	Differences due to risk reduction	-	-	-	-	-
10	Risk Amounts	21.832.699	20.277.571	-	1.367.515	187.613

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

There exist no difference between accounting and legal consolidation scopes of the Bank.

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 Bank 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 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.

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

III. EXPLANATIONS ON 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 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 Bank makes all calculations of fair values based on mid price.

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

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

Processes for valuations adjustments or differences: The Bank 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 Bank 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 Bank 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 o the Bank is considered while determining parameters for respective analysis.

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

The Bank 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 credit policies and credit risk policy in order to minimize expected and unexpected losses exposed due to credit operations. Credit policies determines procedures related to credit allocation, 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 Bank, and credit risk limits detailed in this document are determined based on legal requirements, business strategy of the Bank, 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.

ii. 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 Bank 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 procedures. 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 Unit within the body of Risk Management Group in the framework of Credit Risk Policy. Credit Risk Policy includes 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 Unit 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,

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

- 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.

iii. Relation between credit risk management, risk control, legal compliance and internal audit functions

Three lines control mechanism is established in order manage credit risk and to reduce expected and unexpected losses to a minimum level at the Bank. The first line 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. The second line of controls include activities performed by Risk Management Group and Internal Control Departmant and consist of definition, measurement, monitoring, reporting of risks and development of measures which shall reduce credit risk with executive departments. The third line 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 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 Bank through credit risk management in scope of headquarters unit and process audits and branch audits including participation of Directorate of Supervisory Board.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

Managers of Risk Management Group, Internal Control Departmant, 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 lines 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.

iv. Disclosures regarding risk reporting processes provided to members of Board of Directors and senior management

Credit risk exposed by the Bank is monitored periodically by Risk Management Group Credit Risk and Modelling Unit 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.

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	947.144	12.868.930	793.267	13.022.807
2	Debt Securities	-	619.094	13	619.081
3	Off-balance sheet exposures	27.624	3.702.501	24.141	3.705.984
4	**Total**	**974.768**	**17.190.525**	**817.421**	**17.347.872**

	31 December 2018	Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Current Period	**Defaulted exposures**	**Non-defaulted exposures**		
1	Loans	686.449	13.990.804	593.043	14.084.210
2	Debt Securities	-	633.184	85	633.099
3	Off-balance sheet exposures	25.307	2.319.967	35.017	2.310.257
4	**Total**	**711.756**	**16.943.955**	**628.145**	**17.027.566**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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**	**711.756**
2	Loans and debt securities that have defaulted since the last reporting period	628.407
3	Returned to non-defaulted status	-
4	Amounts written off (-)	108.145
5	Other changes	(257.250)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**974.768**

	31 December 2018	
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**367.467**
2	Loans and debt securities that have defaulted since the last reporting period	864.467
3	Returned to non-defaulted status	-
4	Amounts written off (-)	249.936
5	Other changes	(270.242)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**711.756**

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 provisions are allocated for the whole overdue receivables.

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 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 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.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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.

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

Separation of receivables according to geographical area (Cash and non-cash loans and non-performing loans):

		31 December 2019	31 December 2018
1	Domestic	16.399.262	16.252.616
2	European Union Countries	87.309	149.205
3	OECD Countries (*)	14.777	-
4	Off-shore Banking Regions	-	-
5	USA, Canada	274	-
6	Other Countries	1.199	3.904
7	Associates, Subsidiaries and Jointly Controlled Entities	-	-
8	Unallocated Assets / Liabilities	-	-
9	Total	**16.502.821**	**16.405.725**

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

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

		31 December 2019	31 December 2018
1	**Agriculture**	**90.839**	**29.918**
2	Farming and Stockbreeding	83.016	27.591
3	Forestry	157	-
4	Fishery	7.666	2.327
5	**Manufacturing**	**5.916.830**	**4.677.722**
6	Mining and Quarrying	877.138	926.300
7	Production	3.863.447	2.891.842
8	Electricity, Gas and Water	1.176.245	859.580
9	**Construction**	**4.150.032**	**4.588.368**
10	**Services**	**4.828.122**	**5.241.591**
11	Wholesale and Retail Trade	1.520.687	1.628.629
12	Accommodation and Dining	1.413.376	1.479.682
13	Transportation and Telecom	614.773	499.455
14	Financial Institutions	774.148	1.094.415
15	Real Estate and Rental Services	410.610	460.771
16	Professional Services	46.508	7.202
17	Educational Services	13.221	23.974
18	Health and Social Services	34.799	47.463
19	Other	**1.516.998**	**1.868.126**
20	**Total**	**16.502.821**	**16.405.725**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

31 December 2019	1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Undistributable	Total
Cash and Non-cash Loans	3.670.716	2.439.677	3.171.151	4.960.992	1.589.724	670.561	**16.502.821**
31 December 2018							
Cash and Non-cash Loans	3.576.434	1.855.500	3.687.922	5.247.405	1.546.762	491.702	**16.405.725**

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 in the below table and all amounts included are domestic.

		31 December 2019		31 December 2018	
		Non Performing Loan	Specific Provision	Non Performing Loan	Specific Provision
1	**Agriculture**	**1.772**	**605**	**5.382**	**2.906**
2	Farming and Stockbreeding	1.763	599	4.815	2.342
3	Forestry	4	3	539	539
4	Fishery	5	3	28	25
5	**Manufacturing**	**316.828**	**97.420**	**156.510**	**65.966**
6	Mining and Quarrying	33.292	4.867	5.945	3.696
7	Production	283.525	92.546	150.561	62.266
8	Electricity, Gas and Water	11	7	4	4
9	**Construction**	**290.578**	**59.806**	**161.676**	**30.692**
10	**Services**	**292.494**	**102.288**	**225.184**	**75.557**
11	Wholesale and Retail Trade	143.363	56.969	87.006	40.156
12	Accommodation and Dining	20.369	3.810	2.690	1.428
13	Transportation and Telecom	75.750	23.003	76.866	19.214
14	Financial Institutions	423	286	1.501	279
15	Real Estate and Rental Ser.	45.362	16.736	51.070	13.118
16	Professional Services	154	6	188	56
17	Educational Services	4.499	1.125	4.931	1.127
18	Health and Social Services	2.574	353	932	179
19	Other	**45.472**	**16.464**	**137.697**	**19.626**
20	**Total**	**947.144**	**276.583**	**686.449**	**194.747**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

	Written-off (Accounts)	Written-off (Assets)
Agriculture	**382**	**3.254**
Farming and Stockbreeding	336	2.736
Forestry	24	518
Fishery	22	-
Manufacturing	**17.394**	**43.176**
Mining and Quarrying	1.494	567
Production	15.900	42.609
Electricity, Gas and Water	-	-
Construction	**11.574**	**4.033**
Services	**7.642**	**9.198**
Wholesale and Retail Trade	7.457	8.420
Accommodation and Dining	141	275
Transportation and Telecom	5	364
Financial Institutions	-	2
Real Estate and Rental Services	9	137
Professional Services	-	-
Educational Services	3	-
Health and Social Services	27	-
Other	**17.118**	**45**
Total	**54.110**	**59.706**

vii. Aging analysis for overdue receivables.

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

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

Specific and general provision are allocated for restructured receivables and free provision is allocated for miscellaneous risks in accordance with TFRS 9 and the Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") and there is no situation in which no provision is made.

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

e. Credit Risk Mitigation

1. Qualitative disclosure on credit risk mitigation techniques

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

Collaterals, which should be received as a guarantee for each credits and loan to value ratio with respect to those collaterals are determined during the allocation of credits. Related approval authority is authorized to determine a laon to value ratio for each customer and credit. If assets traded on markets having higher level of volatility are received as collaterals, a prudential loan to value 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 can not 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, additional collateral should be received in case of the revaluation of the collateral shows that there is a significant decrease on the collateral and actual loan to value ratio is under the contractural loan to value ratio.

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

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Credit risk mitigation techniques

	31 December 2019	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
1	Loans	7.944.875	5.077.932	3.371.339	145.990	145.990	-	-
2	Debt securities	619.081	-	-	-	-	-	-
3	**Total**	**8.563.956**	**5.077.932**	**3.371.339**	**145.990**	**145.990**	**-**	**-**
4	Of which defaulted	689.874	165.110	93.403	-	-	-	-

	31 December 2018	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
1	Loans	7.524.343	6.559.867	4.518.313	-	-	-	-
2	Debt securities	633.099	-	-	-	-	-	-
3	**Total**	**8.157.442**	**6.559.867**	**4.518.313**	**-**	**-**	**-**	**-**
4	Of which defaulted	508.497	-	-	-	-	-	-

f. Credit Risk if the Standard Approach is used

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

Credit Risk if the Standard Approach is used

Fitch Grades are used in credit risk standard approach calculations for the determined receivable classifications by the Bank.

Grades of Fitch Credit Rating are taken into consideration for claims on sovereign and claims on banks and other financial institutions.

Rating assigned to a debtor is taken into account for all assets of the debtor.

CRA, which is not included in twinning table of the institution, is not used.

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

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

III. EXPLANATIONS ON 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**	
	Exposure Categories	**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	2.647.575	-	3.227.814	-	695.197	21,5%
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	773.709	178.627	844.152	131.787	427.926	43,8%
7	Exposures to corporates	7.206.755	3.377.576	6.798.163	2.114.096	8.657.306	97,1%
8	Retail exposures	451.153	62.793	443.236	20.446	339.016	73,1%
9	Exposures secured by residential property	555.664	21.307	530.631	8.480	187.888	34,9%
10	Exposures secured by commercial real estate	4.327.841	42.241	4.240.348	25.398	3.003.567	70,4%
11	Past-due loans	670.561	-	557.225	-	579.681	104,0%
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	1.297.889	-	1.306.506	-	1.164.110	89,1%
17	Equity Invesment	-	-	-	-	-	-
18	**Total**	**18.129.679**	**3.690.087**	**18.146.607**	**2.307.750**	**15.094.397**	**73,8%**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

	31 December 2018	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	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	3.292.423	-	4.168.327	-	1.487.927	35,7%
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	248.463	230.500	248.463	186.082	255.645	58,8%
7	Exposures to corporates	7.753.091	2.119.135	7.217.266	1.265.199	8.210.864	96,8%
8	Retail exposures	602.898	86.175	561.633	32.718	433.071	72,9%
9	Exposures secured by residential property	784.745	19.751	741.257	7.332	261.774	35,0%
10	Exposures secured by commercial real estate	4.845.417	43.028	4.694.293	29.772	3.367.470	71,3%
11	Past-due loans	491.702	-	396.012	-	450.817	113,8%
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	729.209	-	729.209	-	644.952	88,4%
17	Equity Invesment	-	-	-	-	-	-
18	**Total**	**18.747.948**	**2.498.627**	**18.756.460**	**1.521.111**	**15.112.528**	**74,5%**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

3. Standardised approach – exposures by asset classes and risk weights

	31 December 2019 Asset classes/ Risk weight	0%	10%	20%	Guaranteed by 35% Real Estate Fund	50%	75%	100%	150%	200%	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	2.532.617	-	-	-	-	-	695.197	-	-	3.227.814
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	-	-	550.291	-	215.561	-	210.087	-	-	975.939
7	Exposures to corporates	40.208	-	161.284	-	171.434	-	8.539.333	-	-	8.912.259
8	Retail exposures	8.240	-	4.663	-	-	450.779	-	-	-	463.682
9	Exposures secured by residential property	2.289	-	-	536.822	-	-	-	-	-	539.111
10	Exposures secured by commercial real estate	939	-	1.318	-	2.520.372	-	1.743.117	-	-	4.265.746
11	Past-due loans	1	-	-	-	28.408	-	455.495	73.321	-	557.225
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	-	-	-	-	-	1.164.110	-	-	1.306.506
18	**Total**	**2.734.233**	**-**	**916.088**	**536.822**	**2.935.775**	**450.779**	**12.807.339**	**73.321**	**-**	**20.454.357**

	31 December 2018 Asset classes/ Risk weight	0%	10%	20%	Guaranteed by 35% Real Estate Fund	50%	75%	100%	150%	200%	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	2.680.400	-	-	-	-	-	1.487.927	-	-	4.168.327
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	-	-	148.266	-	120.573	-	165.706	-	-	434.545
7	Exposures to corporates	58.982	-	165.218	-	163.914	-	8.091.329	3.022	-	8.482.465
8	Retail exposures	11.154	-	7.718	-	326	575.153	-	-	-	594.351
9	Exposures secured by residential property	663	-	-	747.926	-	-	-	-	-	748.589
10	Exposures secured by commercial real estate	577	-	303	-	2.711.552	-	2.011.633	-	-	4.724.065
11	Past-due loans	86	-	-	-	9.394	-	267.358	119.174	-	396.012
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	-	-	-	-	-	644.952	-	-	729.209
18	**Total**	**2.836.119**	**-**	**321.505**	**747.926**	**3.005.759**	**575.153**	**12.668.913**	**122.196**	**-**	**20.277.571**

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

III. EXPLANATIONS ON 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 Bank 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 Bank.

The Bank 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%.

The 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.

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

The Bank 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 Bank should be careful in not allocating high level of leverage and/or long term off balance sheet transaction limits.

The 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.

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

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 Bank for companies apart from financial institutions and individuals.

iv. Rules with respect to Counter-trend risk

The 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.

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 Bank if there exists a decline in credit rating grade.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Assessment of Counterparty Credit Risk According To The Models Of Measurement

	31 December 2019	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
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)					1.442.626	687.179
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, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions						
6	**Total**					**1.442.626**	**687.179**

	31 December 2018	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
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)					1.367.515	592.223
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, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions						
6	**Total**					**1.367.515**	**592.223**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

3. Credit Valuation Adjustment (CVA) Capital Charge

	31 December 2019	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at risk component (including 3*multiplier)		
2	(ii) Stressed Value at Risk (including 3*multiplier)		
3	All portfolios subject to Standardised CVA capital obligation	1.442.626	127.699
4	**Total amount of CVA capital adequacy**	**1.442.626**	**127.699**

	31 December 2018	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at risk component (including 3*multiplier)		
2	(ii) Stressed Value at Risk (including 3*multiplier)		
3	All portfolios subject to Standardised CVA capital obligation	1.367.515	176.379
4	**Total amount of CVA capital adequacy**	**1.367.515**	**176.379**

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

31 December 2019									
Risk Weights	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Other**	**Total credit risk**
Risk Classes									
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	-	-	3.870	-	98.513	-	-	103.978
Retail receivables	-	-	-	-	605	-	-	-	605
Mortgage receivables	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**193.942**	**-**	**821.626**	**327.744**	**605**	**98.709**	**-**	**-**	**1.442.626**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

4. Standardised approach – CCR exposures by regulatory portfolio and risk weights (Continued):

31 December 2018 **Risk Weights**	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Other**	**Total credit risk**
Risk Classes									
Central governments and central banks receivables	8.928	-	-	-	-	6.327	-	-	15.255
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	171.306	-	494.046	564.751	-	320	-	-	1.230.423
Corporate receivables	-	-	3.106	565	-	116.841	-	-	120.512
Retail receivables	-	-	-	-	1.325	-	-	-	1.325
Mortgage receivables	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**180.234**	**-**	**497.152**	**565.316**	**1.325**	**123.488**	**-**	**-**	**1.367.515**

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

III. EXPLANATIONS ON 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	-	-	-	-	192.348	-
Government Bonds-Domestic	-	-	-	-	-	-
Government Bonds-Other	-	-	-	-	-	-
Public Institution Bonds	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Guarantees	-	-	-	-	-	-
Total	-	-	-	-	**193.943**	-

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

6. Credit derivatives:

None.

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

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

III. EXPLANATIONS ON 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.

31 December 2019		Exposure at default (post-CRM)	RWA
1	Total Exposure to Qualified Central Counterparties (QCCPs)	-	8
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 securitiy 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 securitiy 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	-	-

h . Securitization disclosures:

None.

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

j. Disclosures on Market Risk

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

i. The Bank 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 Bank 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 is managed by Treasury, Capital Markets and Financial Institutions. The 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 reviewed 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. Second line 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 Departmant which operates independent of risk generating departments/units in the framework of authorizations and frameworks described at the Bank.

Third line 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 Bank uses Historical Simulation Method as internal method for market risk. one sided 99% confidence level, historical data belonging to working days in past two years and 10 days of holding period are taken into consideration in the calculation. The Bank also calculates stressed value at risk on a daily basis.

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

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

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.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

iv. Market risk under standardised approach

	31 December 2019	**RAT**
	Outright products	
1	Interest rate risk (general and specific)	85.897
2	Equity risk (general and specific)	-
3	Foreign exchange risk	25.833
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	3.259
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**114.989**

	31 December 2018	**RAT**
	Outright products	
1	Interest rate risk (general and specific)	73.982
2	Equity risk (general and specific)	-
3	Foreign exchange risk	113.595
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	36
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**187.613**

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

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

IV. EXPLANATIONS ON OPERATIONAL RISK:

The amount subject to operational risk is calculated once a year by using the "Basic Indicator Method" in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337. The operational risk capital requirement dated 31 December 2019 was calculated using the year 2016, 2017, 2018 revenues.

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.

31 December 2019	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	422.416	514.290	780.176	572.294	15	85.844
Amount subject to operational risk (Total*12,5)	-	-	-	-	-	1.073.051

31 December 2018	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	384.619	422.416	514.290	440.442	15	66.066
Amount subject to operational risk (Total*12,5)	-	-	-	-	-	825.828

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

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

V. EXPLANATIONS ON CURRENCY RISK:

The difference between the Bank's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. 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 Bank has a short-term conservative foreign currency position management policy.

The 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**
Bid rate	**TL 6,6621**	**TL 6,0422**	**TL 5,9400**	**TL 5,2810**
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 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

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

III. EXPLANATIONS ON CURRENCY RISK (Continued):

Information on currency risk of the Bank:

	EUR	USD	Other FC	Total
31 December 2019				
Assets				
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	5.645	18.019	8.325	31.989
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	146.178	-	159.728
Loans (*)	6.393.783	3.051.062	5.657	9.450.502
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial Assets Measured at Amortized Cost	-	262.923	-	262.923
Hedging Derivative Financial Assets (*)	178	4.694	-	4.872
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	10.320	54.730	-	65.050
Total Assets	**6.772.616**	**5.265.926**	**16.574**	**12.055.116**
Liabilities				
Bank Deposits	53.948	168.489	17	222.454
Foreign Currency Deposits	2.727.343	4.760.910	148.381	7.636.634
Funds From Interbank Money Market	-	192.346	-	192.346
Funds Borrowed From Other Financial Institutions	38.561	4.025.619	-	4.064.180
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	213.023	222.165	5.650	440.838
Hedging Derivative Financial Liabilities	1.848	9.409	-	11.257
Other Liabilities (*)	36.050	100.975	68	137.093
Total Liabilities	**3.070.773**	**9.479.913**	**154.116**	**12.704.802**
Net On-balance Sheet Position	**3.701.843**	**(4.213.987)**	**(137.542)**	**(649.686)**
Net Off-balance Sheet Position	**(3.402.548)**	**4.442.833**	**138.159**	**1.178.444**
Financial Derivative Assets	1.292.592	6.429.169	172.834	7.894.595
Financial Derivative Liabilities	4.695.140	1.986.336	34.675	6.716.151
Non-Cash Loans (**)	**1.081.865**	**1.566.223**	**76.254**	**2.724.342**
31 December 2018				
Total Assets (*)	6.519.287	5.133.748	38.342	11.691.377
Total Liabilities (*)	2.575.086	10.088.904	191.666	12.855.656
Net On-balance Sheet Position	**3.944.201**	**(4.955.156)**	**(153.324)**	**(1.164.279)**
Net Off-balance Sheet Position	**(3.725.874)**	**5.169.438**	**154.138**	**1.597.702**
Financial Derivative Assets	1.190.133	8.236.853	207.430	9.634.416
Financial Derivative Liabilities	4.916.007	3.067.415	53.292	8.036.714
Non-Cash Loans (**)	**725.771**	**945.549**	**51.561**	**1.722.881**

(*) 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 485.747 (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".

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

III. EXPLANATIONS ON 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	(4.502)	4.502	(5.977)	5.977	4.804	(4.804)	5.370	(5.370)
EUR	2.405	(2.405)	2.261	(2.261)	(972)	972	(1.149)	1.149
Other currency units	62	(62)	62	(62)	(34)	34	(34)	34
Total, net	**(2.035)**	**2.035**	**(3.654)**	**3.654**	**3.798**	**(3.798)**	**4.187**	**(4.187)**

(*) The equity effect also includes the effects of the income statement.

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

VI. EXPLANATIONS ON 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 Bank 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, securities which fair value difference reflected in 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) :

31 December 2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets (***)							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	-	-	-	-	-	2.162.662	2.162.662
Due From Banks	549.016	-	-	-	-	23.113	572.129
Financial Assets at Fair Value Through Profit/Loss (*)	72.430	133.911	387.448	59.713	32.531	-	686.033
Interbank Money Market Placements	540.169	-	-	-	-	-	540.169
Financial Assets at Fair Value Through Other Comprehensive Income	-	76.262	-	153.966	90.509	7.665	328.402
Loans	3.220.887	3.678.465	3.447.094	1.839.917	166.650	670.561	13.023.574
Financial Assets Measured at Amortized Cost	-	-	-	262.923	-	-	262.923
Other Assets	-	-	-	-	-	1.316.681	1.316.681
Total Assets	**4.382.502**	**3.888.638**	**3.834.542**	**2.316.519**	**289.690**	**4.180.682**	**18.892.573**
Liabilities							
Bank Deposits	148.507	53.383	-	-	-	20.910	222.800
Other Deposits	7.958.729	2.357.439	423.328	29.273	-	571.477	11.340.246
Funds From Interbank Money Market	3.418	190.523	-	-	-	-	193.941
Miscellaneous Payables	-	-	-	-	-	497.518	497.518
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	1.526.038	1.922.258	650.612	-	-	-	4.098.908
Other Liabilities (*) (**)	107.506	55.500	114.627	108.012	6.972	2.146.543	2.539.160
Total Liabilities	**9.744.198**	**4.579.103**	**1.188.567**	**137.285**	**6.972**	**3.236.448**	**18.892.573**
Balance Sheet Long Position	**-**	**-**	**2.645.975**	**2.179.234**	**282.718**	**944.234**	**6.052.161**
Balance Sheet Short Position	**(5.361.696)**	**(690.465)**	**-**	**-**	**-**	**-**	**(6.052.161)**
Off-balance Sheet Long Position	233.181	284.172	1.248.785	-	-	-	1.766.138
Off-balance Sheet Short Position	-	-	-	(1.167.973)	-	-	(1.167.973)
Total Position	**(5.128.515)**	**(406.293)**	**3.894.760**	**1.011.261**	**282.718**	**944.234**	**598.165**

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 453.439 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.

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

VI. EXPLANATIONS ON 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) (Continued) :

31 December 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets (***)							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	2.418.287	-	-	-	-	328.107	2.746.394
Due From Banks	139.590	-	-	-	-	54.514	194.104
Financial Assets at Fair Value Through Profit/Loss (*)	115.230	401.061	597.746	37.481	11.094	-	1.162.612
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	73.408	77.373	158.479	74.433	4.912	388.605
Loans	6.152.434	1.894.252	3.972.167	1.514.741	60.462	491.702	14.085.758
Financial Assets Measured at Amortized Cost	-	-	-	236.801	-	-	236.801
Other Assets	-	-	-	-	-	767.125	767.125
Total Assets	**8.825.541**	**2.368.721**	**4.647.286**	**1.947.502**	**145.989**	**1.646.360**	**19.581.399**
Liabilities							
Bank Deposits	3.464	84.609	-	-	-	8.651	96.724
Other Deposits	5.995.141	2.750.036	906.979	19.183	-	292.392	9.963.731
Funds From Interbank Money Market	1.920	169.386	-	-	-	-	171.306
Miscellaneous Payables	-	-	-	-	-	885.472	885.472
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	1.786.775	2.549.823	1.571.273	5.390	-	-	5.913.261
Other Liabilities (*) (**)	92.573	127.615	95.840	85.540	857	2.148.480	2.550.905
Total Liabilities	**7.879.873**	**5.681.469**	**2.574.092**	**110.113**	**857**	**3.334.995**	**19.581.399**
Balance Sheet Long Position	**945.668**	**-**	**2.073.194**	**1.837.389**	**145.132**	**-**	**5.001.383**
Balance Sheet Short Position	**-**	**(3.312.748)**	**-**	**-**	**-**	**(1.688.635)**	**(5.001.383)**
Off-balance Sheet Long Position	389.965	600.267	1.269.489	-	-	-	2.259.721
Off-balance Sheet Short Position	-	-	-	(1.449.093)	-	-	(1.449.093)
Total Position	**1.335.633**	**(2.712.481)**	**3.342.683**	**388.296**	**145.132**	**(1.688.635)**	**810.628**

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 668.691 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.

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

VI. EXPLANATIONS ON 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) (Continued) :

Interest rate sensitivity analysis :

Change in interest rate 31 December 2019	Profit/ Loss Effect	Effect on funds under equity
(+) 1%	695	(35.980)
(-) 1%	(980)	37.291

Change in interest rate 31 December 2018	Profit/ Loss Effect	Effect on funds under equity
(+) 1%	(17.982)	(25.765)
(-) 1%	18.584	25.765

b. Average interest rates for monetary financial instruments:

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

31 December 2019	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	-
Due From Banks	-	0,76	-	11,12
Financial Assets at Fair Value Through Profit/Loss	3,46	3,10	-	10,48
Interbank Money Market Pla cements	-	-	-	9,74
Financial Assets at Fair Value Through Other Comprehensive Income	3,05	4,66	-	15,60
Loans	5,30	7,51	-	18,54
Financial Assets Measured at Amortized Cost	-	4,41	-	-
Liabilities				
Bank Deposits	0,99	1,41	-	-
Other Deposits (*)	0,65	2,37	-	11,97
Funds From Interbank Money Market	-	3,08	-	9,14
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	1,63	4,83	-	10,38

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

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

b. Average interest rates for monetary financial instruments (Continued):

31 December 2018	EUR	USD	Yen	TL
Assets	**%**	**%**	**%**	**%**
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	2,00	-	13,00
Due From Banks	-	2,18	-	-
Financial Assets at Fair Value Through Profit/Loss	3,88	6,90	-	13,27
Interbank Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3,05	4,66	-	14,93
Loans	5,75	8,34	-	24,00
Financial Assets Measured at Amortized Cost	-	4,41	-	-
Liabilities				
Bank Deposits	1,94	-	-	-
Other Deposits (*)	2,55	5,06	-	22,88
Funds From Interbank Money Market	-	3,61	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	2,24	5,35	-	10,94

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

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.

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

c. Interest rate risk resulting from banking accounts (Continued):

2. The table below presents the economic value differences of the 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%
Total (For Negative Shocks)		**42.174**	**1,2%**
Total (For Positive Shocks)		**(93.858)**	**(2,6)%**

VII. EXPLANATIONS ON SHARE CERTIFICATE POSITION RISK:

None.

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

VIII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND 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 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 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 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 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.

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

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

Although the Bank is responsible to comply with liquidity limitations which are determined in Liquidity Risk Policy, it is primarily obliged with minimum liquidity limits determined by the legal legislation. 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 test is to inform related committees and Board of Directors regarding liquidity outflows and derogation which can occur in the liquidity ratios of the 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 and precautions which shall be taken in this process are determined in scope of Liquidity Emergency Plan. Details related to Liquidity Emergency Plan are included in Liquidity Risk Policy of the Bank.

The Bank does not serve a function as a central funding institution in its relationship with its partnerships. Intra-group liquidity management and funding strategies are limited to related legal limitations.

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

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

Liquidity Coverage Ratio:

		Unweighted Amounts (*)		Weighted Amounts (*)	
31 December 2019		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS					
1	**High Quality Liquid Assets**			**2.960.686**	**2.074.640**
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	7.537.817	4.498.149	712.927	449.815
3	Stable deposits	817.085	-	40.854	-
4	Less stable deposits	6.720.732	4.498.149	672.073	449.815
5	**Unsecured Funding other than Retail and Small Business Customers Deposits**	**3.744.816**	**3.061.426**	**1.866.175**	**1.504.873**
6	Operational deposits	1.063.477	962.832	265.869	240.708
7	Non-Operational Deposits	2.326.385	1.885.791	1.245.352	1.051.363
8	Other Unsecured Funding	354.954	212.803	354.954	212.802
9	Secured funding	-	-	-	-
10	**Other Cash Outflows**	209.155	220.375	209.155	220.375
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	209.155	220.375	209.155	220.375
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	3.145.092	2.430.733	386.273	277.880
16	**TOTAL CASH OUTFLOWS**			**3.174.530**	**2.452.943**
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	1.919.388	903.034	1.384.998	636.265
19	Other contractual cash inflows	10.035	109.848	10.035	109.848
20	**TOTAL CASH INFLOWS**	**1.929.423**	**1.012.882**	**1.395.033**	**746.113**
				Upper Bound Applied Amounts	
21	**TOTAL HIGH QUALITY LIQUID ASSETS**			**2.960.686**	**2.074.640**
22	**TOTAL NET CASH OUTFLOWS**			**1.779.497**	**1.706.830**
23	**Liquidity Coverage Ratio (%)**			**166,38**	**121,55**

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

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

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

		Unweighted Amounts (*)		Weighted Amounts (*)	
31 December 2018		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS					
1	**High Quality Liquid Assets**			**3.347.817**	**1.974.193**
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	7.702.237	3.759.645	740.445	375.964
3	Stable deposits	595.562	-	29.778	-
4	Less stable deposits	7.106.675	3.759.645	710.667	375.964
5	**Unsecured Funding other than Retail and Small Business Customers Deposits**	**3.192.094**	**2.396.279**	**1.469.653**	**1.074.010**
6	Operational deposits	1.343.105	1.163.458	335.776	290.864
7	Non-Operational Deposits	1.505.410	1.003.832	790.297	554.157
8	Other Unsecured Funding	343.579	228.989	343.580	228.989
9	Secured funding	-	-	-	-
10	**Other Cash Outflows**	**10.735**	**893.471**	**10.735**	**893.471**
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	10.735	893.471	10.735	893.471
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	2.540.248	1.843.111	320.141	222.528
16	**TOTAL CASH OUTFLOWS**			**2.540.974**	**2.565.973**
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	2.266.277	1.180.323	1.556.287	901.192
19	Other contractual cash inflows	36.091	-	36.091	-
20	**TOTAL CASH INFLOWS**	**2.302.368**	**1.180.323**	**1.592.378**	**901.192**
				Upper Bound Applied Amounts	
21	**TOTAL HIGH QUALITY LIQUID ASSETS**			**3.347.817**	**1.974.193**
22	**TOTAL NET CASH OUTFLOWS**			**948.596**	**1.664.781**
23	**Liquidity Coverage Ratio (%)**			**352,92**	**118,59**

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

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

VIII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND 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.

High quality liquid assets of the Bank consist of accounts in Central Bank of Turkey, at a ratio of 66% and securities issued by Undersecretariat of Treasury at a ratio of 29%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to banks at ratios of 23%, 52% and 7% 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. Liquidity coverage rates must be at least 80% for foreign currency assets and liabilities and at least 100% in total assets and liabilities for the period 31 December 2019. Dates and values of lowest and highest foreign currency and total unconsolidated liquidity coverage rates calculated weekly related to the last quarter and average rates are explained in the table below:

Current Period	**Maximum (%)**		**Minimum (%)**	
	FC	**FC+TL**	**FC**	**FC + TL**
Weekly Arithmetic Average (%)	178,00%	231,22%	95,77%	139,51%
Week	29.11.2019	15.11.2019	11.10.2019	13.12.2019

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

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

Breakdown of assets and liabilities according to their outstanding maturities:

31 December 2019	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unclassified (***)	Total
Assets (****)								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	913.729	1.248.933	-	-	-	-	-	2.162.662
Due From Banks	23.113	549.016	-	-	-	-	-	572.129
Financial Assets at Fair Value Through Profit or Loss (*)	-	68.897	76.167	118.133	390.302	32.534	-	686.033
Interbank Money Market Placements	-	540.169	-	-	-	-	-	540.169
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	76.262	-	153.966	90.500	7.674	328.402
Loans	-	1.212.838	2.192.854	2.605.058	4.756.819	1.585.445	670.560	13.023.574
Financial Assets Measured at Amortized Cost	-	-	-	-	262.923	-	-	262.923
Other Assets (**)	-	42.524	582	21.520	45.998	-	1.206.057	1.316.681
Total Assets	**936.842**	**3.662.377**	**2.345.865**	**2.744.711**	**5.610.008**	**1.708.479**	**1.884.291**	**18.892.573**
Liabilities								
Bank Deposits	20.910	148.507	53.383	-	-	-	-	222.800
Other Deposits	571.477	7.958.729	2.357.439	423.328	29.273	-	-	11.340.246
Funds Borrowed From Other Financial Institutions	-	22.751	221.650	1.856.466	1.093.897	904.144	-	4.098.908
Funds From Interbank Money Market	1.595	-	-	-	192.346	-	-	193.941
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	435.221	-	-	-	-	62.297	497.518
Other Liabilities (*) (***)	-	228.231	11.909	106.320	158.222	103.532	1.930.946	2.539.160
Total Liabilities	**593.982**	**8.793.439**	**2.644.381**	**2.386.114**	**1.473.738**	**1.007.676**	**1.993.243**	**18.892.573**
Net Liquidity Gap	**342.860**	**(5.131.062)**	**(298.516)**	**358.597**	**4.136.270**	**700.803**	**(108.952)**	**-**
Net Off-balance sheet Position	-	**340.029**	**165.939**	**(19.881)**	**118.654**	**541**	-	**605.282**
Financial Derivative Assets	-	**4.806.031**	**1.432.903**	**328.631**	**1.267.102**	**821**	-	**7.835.488**
Financial Derivative Liabilities	-	**(4.466.002)**	**(1.266.964)**	**(348.512)**	**(1.148.448)**	**(280)**	-	**(7.230.206)**
Non-cash Loans	-	**2.457.879**	**246.823**	**566.093**	**204.173**	**4.279**	-	**3.479.247**
31 December 2018								
Total Assets	**689.593**	**4.499.787**	**1.964.210**	**3.481.262**	**6.142.448**	**1.640.445**	**1.163.654**	**19.581.399**
Total Liabilities	**301.043**	**7.159.271**	**3.059.175**	**2.726.067**	**3.546.469**	**805.320**	**1.984.054**	**19.581.399**
Net Liquidity Gap	**388.550**	**(2.659.484)**	**(1.094.965)**	**755.195**	**2.595.979**	**835.125**	**(820.400)**	**-**
Net Off-balance sheet Position	-	**102.225**	**119.897**	**593.785**	**67.176**	**1.004**	-	**884.087**
Financial Derivative Assets	-	3.689.981	2.562.125	1.307.557	1.608.226	1.623	-	9.169.512
Financial Derivative Liabilities	-	(3.587.756)	(2.442.228)	(713.772)	(1.541.050)	(619)	-	(8.285.425)
Non-cash Loans	-	**1.465.856**	**168.600**	**565.789**	**119.656**	**66**	-	**2.319.967**

(*) Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL 453.439 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.

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

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

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

Breakdown of financial liabilities according to their remaining contractual maturities:

31 December 2019	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	169.422	53.436	-	-	-	222.858
Funds borrowed from other financial institutions	8.543.134	2.379.330	454.913	34.127	-	11.411.504
Funds from money market	42.189	244.581	2.017.815	1.250.361	933.230	4.488.176
Payables to money market	1.596	-	-	194.018	-	195.614
Total	**8.756.341**	**2.677.347**	**2.472.728**	**1.478.506**	**933.230**	**16.318.152**

31 December 2018	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	12.120	84.769	-	-	-	96.889
Funds borrowed from other financial institutions	6.311.133	2.806.629	995.560	28.269	-	10.141.591
Funds from money market	121.508	174.817	1.820.065	3.441.804	859.978	6.418.172
Payables to money market	-	-	-	173.017	-	173.017
Total	**6.444.761**	**3.066.215**	**2.815.625**	**3.643.090**	**859.978**	**16.829.669**

Derivative instruments of bank, counter-based maturity analysis:

31 December 2019	Up to 1 month	1-3 months	3-12 months	1-5 months	Above 5 years	Total
Derivative insturments held for trading						
Exchange rate derivatives:						
- Entry	4.593.073	1.176.928	191.991	17.322	-	5.979.314
- Out	4.252.783	1.128.820	172.904	17.764	-	5.572.271
Interest rate derivatives:						
- Entry	4.292	5.615	17.675	26.227	821	54.630
- Out	3.739	3.181	12.872	22.245	280	42.317
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	208.666	247.757	118.218	1.223.553	-	1.798.194
- Out	209.312	132.267	157.041	1.098.801	-	1.597.421
Interest rate derivatives:						
- Entry	-	2.603	747	-	-	3.350
- Out	168	2.696	5.695	9.638	-	18.197
Total cash entry	**4.806.031**	**1.432.903**	**328.631**	**1.267.102**	**821**	**7.835.488**
Total cash out	**4.466.002**	**1.266.964**	**348.512**	**1.148.448**	**280**	**7.230.206**

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

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

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

Derivative instruments of bank, counter-based maturity analysis (continued):

31 December 2018	Up to 1 month	1-3 months	3-12 months	1-5 months	Above 5 years	Total
Derivative insturments held for trading						
Exchange rate derivatives:						
- Entry	3.650.680	2.351.704	925.334	-	-	6.927.718
- Out	3.555.015	2.303.135	383.112	-	-	6.241.262
Interest rate derivatives:						
- Entry	8.136	6.326	15.283	27.286	1.623	58.654
- Out	7.197	3.748	11.239	26.058	619	48.861
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	30.598	200.846	366.940	1.580.940	-	2.179.324
- Out	24.795	132.509	315.139	1.498.895	-	1.971.338
Interest rate derivatives:						
- Entry	567	3.249	-	-	-	3.816
- Out	749	2.836	4.282	16.097	-	23.964
Total cash entry	**3.689.981**	**2.562.125**	**1.307.557**	**1.608.226**	**1.623**	**9.169.512**
Total cash out	**3.587.756**	**2.442.228**	**713.772**	**1.541.050**	**619**	**8.285.425**

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

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

IX. EXPLANATIONS ON LEVERAGE RATIO:

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

As of 31 December 2019, leverage ratio of the Bank calculated from the arithmetic average of the three months is 8,18% (31 December 2018: 7,43%). 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 balance sheet assets.

Disclosure of leverage ratio template:

	31 December 2019 (*)	31 December 2018 (*)
Balance sheet assets		
Balance sheet assets (excluding derivative financial assets and credit derivaties, including collaterals)	18.930.593	20.587.910
(Assets deducted from Core capital)	52.342	58.335
Total risk amount of balance sheet assets	18.878.251	20.529.575
Derivative financial assets and credit derivaties		
Cost of replenishment for derivative financial assets and credit derivatives	531.860	1.041.175
Potential credit risk amount of derivative financial assets and credit derivatives	107.092	156.092
Total risk amount of derivative financial assets and credit derivatives	638.952	1.197.267
Financing transactions secured by marketable security or commodity		
Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	-	-
Risk amount arising from intermediary transactions	-	-
Total risk amount of financing transactions secured by marketable security or commodity	-	-
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	4.395.837	3.594.290
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	4.395.837	3.594.290
Capital and total risk		
Core Capital	1.953.230	1.875.365
Total risk amount	23.913.040	25.321.132
Leverage ratio		
Leverage ratio	8,18%	7,43%

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

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

X. EXPLANATIONS ON HEDGE TRANSACTONS:

As of 31 December 2019, The Bank applies cash flow hedge accounting using interest swaps to hedge its FC deposits with an average maturity up to 3 months against interest rate fluctuations. The Bank 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 of which carrying amount is TL 453.439 (31 December 2018: TL 668.691) and derivative financial payables of which carrying amount is 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 amounting to 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 the 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	451.396	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)	-

(*) Includes TAS 27 impacts and describes after tax amounts.

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 efficieny, the effective amounts, which are recognized under the equity due to the risk hedge accounting, are eliminated from equities in the periods or periods, when cash flow effects profit and losses (periods, when interest income or expenses are recognized) as re-classification adjustment and then it is re-classified in the profit and loss. There is no amount, which is transferred to income statement due to the swaps, of which effectiveness is damaged or closed in the current period (31 December 2018: None).

The measurements conducted as of 31 December 2019 show that the cash flow hedging transactions shown above are effective.

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

a. Financial Assets and Liabilities at their fair values:

The fair values of held-to-maturity assets are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions. The expected fair value of the demand placements and deposits represents the amount to be paid upon request. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the Bank's current interest rates as of balance sheet date. The expected fair value of loans and receivables are determined by

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

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

a. Financial Assets and Liabilities at their fair values (Continued):

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 the 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 Bank.

	Book Value		Fair Value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial Assets	**14.727.258**	**15.347.446**	**15.596.907**	**16.258.823**
Receivables from Money Markets	540.169	-	540.609	-
Banks (*)	572.190	636.282	572.333	636.317
Financial Assets at fair value through other comprehensive income	328.402	388.605	328.402	388.605
Other financial assets measured at amortized cost	262.923	236.801	266.129	229.285
Loans	13.023.574	14.085.758	13.889.434	15.004.616
Financial Liabilities	**16.159.474**	**16.859.188**	**16.208.657**	**16.904.438**
Bank Deposits	222.800	96.724	222.652	96.712
Other Deposits	11.340.246	9.963.731	11.388.309	10.003.132
Borrowings	4.098.908	5.913.261	4.100.176	5.919.122
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	497.518	885.472	497.518	885.472

(*)Includes CBRT time deposit accounts.

b. Fair value hierarchy:

TFRS 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 identica 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)

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

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

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

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

31 December 2019	**1st Level**	**2nd Level**	**3rd Level**	**Total**
Financial Assets at Fair Value Through Profit or Loss	35.443	197.151	-	**232.594**
Government Debt Securities	4.517	-	-	**4.517**
Share Certificates	-	-	-	**-**
Derivative financial assets at fair value through profit or loss	-	197.151	-	**197.151**
Other Securities	30.926	-	-	**30.926**
Financial Assets at Fair Value Through other comprehensive income (*)	320.218	8.184	-	**328.402**
Share Certificates	-	7.674	-	**7.674**
Government Debt Securities	320.218	-	-	**320.218**
Other Securities	-	510	-	**510**
Derivative financial assets at fair value through other comprehensive income	-	453.439	-	**453.439**
Total Assets	**355.661**	**658.774**	**-**	**1.014.435**
Derivative financial liabilities at fair value through profit or loss	-	200.348	-	**200.348**
Derivative financial liabilities at fair value through other comprehensive income	-	77.913	-	**77.913**
Total Liabilities	**-**	**278.261**	**-**	**278.261**

31 December 2018	**1st Level**	**2nd Level**	**3rd Level**	**Total**
Financial Assets at Fair Value Through Profit or Loss	12.690	481.231	-	**493.921**
Government Debt Securities	11.974	-	-	**11.974**
Share Certificates	-	-	-	**-**
Derivative financial assets at fair value through profit or loss	-	481.231	-	**481.231**
Other Securities	716	-	-	**716**
Financial Assets at Fair Value Through other comprehensive income (*)	383.193	5.412	-	**388.605**
Share Certificates	-	4.912	-	**4.912**
Government Debt Securities	383.193	-	-	**383.193**
Other Securities	-	500	-	**500**
Derivative financial assets at fair value through other comprehensive income	-	668.691	-	**668.691**
Total Assets	**395.883**	**1.155.334**	**-**	**1.551.217**
Derivative financial liabilities at fair value through profit or loss	-	332.152	-	**332.152**
Derivative financial liabilities at fair value through other comprehensive income	-	70.273	-	**70.273**
Total Liabilities	**-**	**402.425**	**-**	**402.425**

(*) 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 transfer between 1st and 2nd levels in the current period.

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

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

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

XIII. EXPLANATIONS ON OPERATING SEGMENTS:

The 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 loan, deposit, cash management products, foreign trade financing, non-cash loans, foreign currency transaction services and other corporate banking services to corporate clients.

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.

31 December 2019	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury**	**Other and Unclassified**	**Total Operations of the Bank**
Net Interest Income	124.366	502.388	37.171	-	663.925
Net Fees and Comissions	4.972	33.208	-	-	38.180
Trading Profit/Loss	15.960	7.725	9.183	-	32.868
Other Operating Income	2.023	13.509	-	-	15.532
Operating Income	**147.321**	**556.830**	**46.354**	**-**	**750.505**
Operating Costs (-)	**108.971**	**377.371**	**36.902**	**132.854**	**656.098**
Net Operating Income	**38.350**	**179.459**	**9.452**	**(132.854)**	**94.407**
Dividend Income	-	-	-	2.769	2.769
Income/Loss from subsidiaries based on equity method	-	-	-	61.683	61.683
Profit Before Tax	**38.350**	**179.459**	**9.452**	**(68.402)**	**158.859**
Tax Provisions (-)	(8.437)	(39.481)	(2.079)	29.692	(20.305)
Net Profit/Loss	**29.913**	**139.978**	**7.373**	**(38.710)**	**138.554**
Segment Assets	1.531.640	12.784.757	3.259.495	-	17.575.892
Investments in associates, subsidiaries and joint ventures	-	-	-	523.728	523.728
Unallocated Assets	-	-	-	792.953	792.953
Total Assets	**1.531.640**	**12.784.757**	**3.259.495**	**1.316.681**	**18.892.573**
Segments Liabilities	7.900.248	3.492.166	4.793.910	786.974	16.973.298
Unallocated Liabilities	-	-	-	1.919.275	1.919.275
Total Liabilities	**7.900.248**	**3.492.166**	**4.793.910**	**2.706.249**	**18.892.573**

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

INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK (Continued):

XIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued):

31 December 2018	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified	Total Operations of the Bank
Net Interest Income	141.202	523.553	(27.016)	-	637.739
Net Fees and Comissions	5.048	23.109	-	-	28.157
Commercial Profit/Loss	7.089	14.072	45.217	-	66.378
Other Operating Income	2.956	13.535	-	-	16.491
Operating Income	**156.295**	**574.269**	**18.201**	**-**	**748.765**
Operating Costs (-)	**94.757**	**357.577**	**33.214**	**98.392**	**583.940**
Net Operating Income	**61.538**	**216.692**	**(15.013)**	**(98.392)**	**164.825**
Dividend Income	-	-	-	700	700
Income/(Loss) from subsidiaries based on equity method	-	-	-	33.668	33.668
Profit Before Tax	**61.538**	**216.692**	**(15.013)**	**(64.024)**	**199.193**
Tax Provisions (-)	13.539	47.672	(3.303)	(20.474)	37.434
Net Profit / Loss	**47.999**	**169.020**	**(11.710)**	**(43.550)**	**161.759**
Segment Assets	1.730.837	13.837.412	3.246.025	-	18.814.274
Investments in associates, subsidiaries and joint ventures	-	-	-	381.091	381.091
Unallocated Assets	-	-	-	386.034	386.034
Total Assets	**1.730.837**	**13.837.412**	**3.246.025**	**767.125**	**19.581.399**
Segments Liabilities	7.300.928	2.681.594	6.583.714	1.139.183	17.705.419
Unallocated Liabilities	-	-	-	1.875.980	1.875.980
Total Liabilities	**7.300.928**	**2.681.594**	**6.583.714**	**3.015.163**	**19.581.399**

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

a. Information related to cash and the account of Central Bank of the Republic of Turkey ("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	14.086	70.171
CBRT	156.249	1.864.017	1.359.170	1.302.967
Other	-	-	-	-
Total	**172.637**	**1.990.025**	**1.373.256**	**1.373.138**

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
Total	**156.249**	**1.864.017**	**1.359.170**	**1.302.967**

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 "Communique 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%).

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

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

I. EXPLANATIONS AND NOTES RELATED TO 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: None).

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	540.201	2.973	3.037	2.644
Foreign	-	29.016	-	188.788
Headquarters and Branches Abroad	-	-	-	-
Total	**540.201**	**31.989**	**3.037**	**191.432**

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	-	-
Total	**29.016**	**188.788**	**-**	**-**

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

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

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

I. EXPLANATIONS AND NOTES RELATED TO 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).

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

	31 December 2019	31 December 2018
Debt Securities	323.080	404.851
Quoted on Stock Exchange	323.080	404.851
Not Quoted	-	-
Share Certificates	7.624	4.912
Quoted on Stock Exchange	-	-
Not Quoted	7.624	4.912
Impairment Provision (-)	2.352	21.158
Total	**328.402**	**388.605**

e. Explanations on loans:

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

	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	-
Total	**4.227**	**35.560**	**3.680**	**149.865**

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

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

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

e. Explanations on loans (Continued):

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

i.

		Loans and Other Receivables Under Close Monitoring		
		Loans and	Restructured Loans and Receivables	
Cash Loans	**Standard Loans and Other Receivables**	**Receivables Not Subject to Restructuring**	**Loans and Receivables with Revised Contract Terms**	**Re-finance**
Non-Specialized Loans	10.162.350	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 (*)	8.725.235	1.669.941	990.475	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**10.162.350**	**1.690.220**	**1.016.360**	**-**

(*) The Bank also has TL 7 factoring receivables in the Other account.

XIV.

	Standard Loans	**Loans Under Close Monitoring**
General Provisions (*)	**54.661**	**477.867**
12 Month Expected Credit Losses	54.661	-
Significant Increase in Credit Risk	-	477.867

(*) Non-cash loan provisions are included in the table.

3. Distribution of cash loans according to their maturities:

		Loans Under Close Monitoring	
	Standard Loans	**Loans without Revised Contract Terms**	**Restructured Loans**
Short-term Loans	2.603.777	224.990	24.985
Medium and Long-term Loans	7.558.573	1.465.230	991.375
Total	**10.162.350**	**1.690.220**	**1.016.360**

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

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

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

e. Explanations on loans (Continued):

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

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

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

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

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

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

	Short-term	Medium and long-term	Total
Commercial Installments Loans-TL	**64.515**	**1.028.889**	**1.093.404**
Real estate Loans	-	-	-
Automotive Loans	-	472	472
Consumer Loans	64.515	1.028.417	1.092.932
Other	-	-	-
Commercial Installments Loans-FC Indexed	-	**207.031**	**207.031**
Real estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	207.031	207.031
Other	-	-	-
Commercial Installments Loans-FC	**16.397**	**5.916.377**	**5.932.774**
Real estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	16.397	5.916.377	5.932.774
Other	-	-	-
Corporate Credit Cards-TL	-	-	-
With installments	-	-	-
Without installments	-	-	-
Corporate Credit Cards-FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Credit Deposit Account-TL (Legal Person)	**15**	-	**15**
Credit Deposit Account-FC (Legal Person)	-	-	-
Total	**80.927**	**7.152.297**	**7.233.224**

6. Loans according to types of borrowers:

	31 December 2019	31 December 2018
Public	-	-
Private	12.868.930	13.990.804
Total	**12.868.930**	**13.990.804**

7. Distribution of domestic and foreign loans:

	31 December 2019	31 December 2018
Domestic Loans	12.868.457	13.990.804
Foreign Loans	473	-
Total	**12.868.930**	**13.990.804**

8. Loans given to associates and subsidiaries;

	31 December 2019	31 December 2018
Direct Loans given to associates and subsidiaries	-	22.858
Indirect Loans given to associates and subsisiaries	-	-
Total	-	**22.858**

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

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

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

9. Specific provisions provided against loans:

	31 December 2019	31 December 2018
Loans with Limited Collectability	33.942	27.807
Loans with Doubtful Collectability	107.190	57.490
Uncollectible Loans	135.451	109.450
Total	**276.583**	**194.747**

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

i. Information on non-performing loans restructured or rescheduled and other receivables:

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

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

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

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

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period End Balance	**108.534**	**326.980**	**250.935**
Additions (+)	433.573	89.864	104.970
Transfers from Other Categories of Non-performing Loans (+)	-	374.843	382.047
Transfers to Other Categories of Non-performing Loans (-)	374.843	382.047	-
Collections (-)	57.053	97.726	104.788
Write-offs (-)	-	-	54.110
Sold Portfolio (-) (*)	-	11.329	42.706
Corporate and Commercial Loans	-	11.329	42.706
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period	**110.211**	**300.585**	**536.348**
Specific Provision (-)	**33.942**	**107.190**	**135.451**
Net Balance on Balance Sheet	**76.269**	**193.395**	**400.897**

(*)As of March 29, 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:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
31 December 2019			
Period-End Balance	64.439	70.532	155.143
Specific Provision (-)	22.427	36.154	50.712
Net Balance on balance sheet	**42.012**	**34.378**	**104.431**
31 December 2018			
Period-End Balance	14.801	94.619	50.609
Specific Provision (-)	5.337	33.862	30.660
Net Balance on balance sheet	**9.464**	**60.757**	**19.949**

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

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

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

iv. Information on gross and net amounts of non-performing loans based on types of borrowers:

	III. Group	IV. Group	V. Group
31 December 2019	**Loans with limited collectability**	**Loans with doubtful collectability**	**Uncollectible loans and other**
Current Period (Net)			
Loans Given to Real Persons and Legal Persons (Gross)	**76.269**	**193.395**	**400.897**
Provision Amount (-)	110.211	300.585	536.348
Loans Given to Real Persons and Legal Persons (Net)	33.942	107.190	135.451
Banks (Gross)	76.269	193.395	400.897
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provision Amount (-)	-	-	-
Other Loans (Net)	-	-	-
Prior Period (Net)	-	-	-
Loans Given to Real Persons and Legal Persons (Gross)	**80.727**	**269.490**	**141.485**
Provision Amount (-)	108.534	326.980	250.935
Loans Given to Real Persons and Legal Persons (Net)	27.807	57.490	109.450
Banks (Gross)	80.727	269.490	141.485
Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provision Amount (-)	-	-	-
Other Loans (Net)	-	-	-
	-	-	-

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

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

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

II. EXPLANATIONS AND NOTES RELATED TO 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 106.355 TL 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%.

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

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

I. EXPLANATIONS AND NOTES RELATED TO 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:

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

g. Information on financial assets measured at amortized cost:

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

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Similar Securities	-	247.227	-	222.667
Other	-	-	-	-
Total	**-**	**247.227**	**-**	**222.667**

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:

	31 December 2019	31 December 2018
Government Bond	262.923	236.801
Treasury Bond	-	-
Other Public Debt Securities	-	-
Total	**262.923**	**236.801**

4. Information on financial assets measured at amortized cost:

	31 December 2019	31 December 2018
Debt securities	262.923	236.801
Publicly-traded	262.923	236.801
Not publicly-traded	-	-
Provision for impairment	-	-
Total	**262.923**	**236.801**

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

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

I. EXPLANATIONS AND NOTES RELATED TO 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 (-)	-	-
Period end balance	**262.923**	**236.801**

h. Information on associates (Net):

None (31 December 2018: None).

i. Information on subsidiaries (Net):

1. Information on unconsolidated subsidiaries:

None (31 December 2018: None).

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

None (31 December 2018: None).

3. Information on subsidiaries that are consolidated in consolidated accounts:

	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.

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/ Loss	Fair value
1	3.243.350	376.287	155.400	287.250	-	39.384	35.860	-
2 (*)	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.

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

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

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

i. Information on subsidiaries (Net) (Continued):

5. Movement schedules of consolidated subsidiaries:

	31 December 2019	31 December 2018
Balance at the beginning of the Period	**381.091**	**256.972**
Movements during the Period	**142.637**	**124.119**
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	-	-
Balance at the end of the Period	**523.728**	**381.091**
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	**99,99%**	**99,99%**

(*) Includes the increases/decreases occured as a result of the application of the equity method in accordance with TAS 27 disclosed in Note I, in Section Three.

6. 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
Total	**523.728**	**381.091**

7. Subsidiaries quoted on stock exchange:

None (31 December 2018: None).

j. Information on jointly controlled partnerships (Joint Ventures):

None (31 December 2018: None).

k. Information on lease receivables (net):

None (31 December 2018: None).

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

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

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

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	-	-	-	-
Total	**123.155**	**73.996**	**197.765**	**283.466**

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	448.188	5.251	655.339	13.352
Foreign Net Investment Hedge	-	-	-	-
Total	**448.188**	**5.251**	**655.339**	**13.352**

m. Information on tangible assets:

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2018				
Cost	27.672	-	80.516	108.188
Accumulated depreciation (-)	3.922	-	45.812	49.734
Net book value	**23.750**	**-**	**34.704**	**58.454**
31 December 2019				
Net book value at beginning of the period	23.750	-	34.704	58.454
Additions	-	627	142.224	142.851
Disposals (-), net	-	-	568	568
Impairment (-)	-	-	-	-
Depreciation (-)	490	34	36.982	37.506
Revaluation Increase	1.240	-	-	1.240
Cost at Period End	28.912	627	216.636	246.175
Accumulated Depreciation at Period End (-)	4.412	34	77.258	81.704
Closing Net Book Value at Period End	**24.500**	**593**	**139.378**	**164.471**

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

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

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

m. Information on tangible assets (Continued):

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2017				
Cost	25.947	-	75.084	101.031
Accumulated depreciation (-)	3.447	-	42.207	45.654
Net book value	**22.500**	**-**	**32.877**	**55.377**
31 December 2018				
Net book value at beginning of the period	22.500	-	32.877	55.377
Additions	-	-	11.183	11.183
Disposals (-), net	-	-	63	63
Impairment (-)	-	-	-	-
Depreciation (-)	475	-	9.293	9.768
Revaluation Increase	1.725	-	-	1.725
Cost at Period End	27.672	-	80.516	108.188
Accumulated Depreciation at Period End (-)	3.922	-	45.812	49.734
Closing Net Book Value at Period End	**23.750**	**-**	**34.704**	**58.454**

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	102.927	96.752
Accumulated Depreciation (-)	65.529	52.694
Net Book Value	**37.398**	**44.058**

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

	31 December 2019	31 December 2018
Beginning of the Period	**44.058**	**45.085**
Internally Generated Amounts	-	-
Additions due to Mergers, Transfers and Acquisitions	6.187	10.235
Disposals	5	-
Amount Accounted under Revaluation Reserve	-	-
Impairment	-	-
Impairment Reversal	-	-
Amortisation (-)	12.842	11.262
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
End of the Period	**37.398**	**44.058**

o. Information on investment property:

None (31 December 2017: None).

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

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

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

p. Information on deferred tax asset:

As of 31 December 2019, Bank has netted-off the calculated deferred tax asset of TL 132.396 (31 December 2018: TL 160.790) and deferred tax liability of TL 87.916 (31 December 2018: TL 166.993) in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 44.480 (31 December 2018: TL 6.203 net deferred tax liability) in the financial statements.

As of 31 December 2019 and 31 December 2018, the details of accumulated temporary differences and deferred tax assets and liabilities are presented below:

	Accumulated Temporary Differences		**Deferred Tax Assets/Liabilities**	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Carried Financial Loss	-	238.716	-	52.517
Provision for Legal Cases	9.236	7.292	2.031	1.604
General Provisions and Other Provisions	539.650	428.042	118.723	94.169
Reserve for Employee Rights	21.875	16.336	4.812	3.594
Unearned Revenue	28.527	30.847	6.276	6.786
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	37.427	-	554	-
Other	-	9.639	-	2.120
Deferred Tax Assets	**636.715**	**730.872**	**132.396**	**160.790**
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	-	28.090	-	3.756
Valuation Differences of Derivative Instruments	396.852	741.988	87.307	163.237
Other	2.770	-	609	-
Deferred Tax Liabilities	**399.622**	**770.078**	**87.916**	**166.993**
Deferred Tax Assets/(Liabilities) (Net)	**237.093**	**(39.206)**	**44.480**	**(6.203)**

Movement of deferred tax asset/liabilities is presented below:

	31 December 2019	**31 December 2018**
Balance as of 1 January	**(6.203)**	**(33.481)**
Current year deferred tax income/(expense), net	30.456	(37.434)
Deferred tax charged to equity, net (*)	20.227	64.712
Balance at the End of the Period	**44.480**	**(6.203)**

(*) Deferred tax accounted in equity due to the effects of TAS 27 amounts to TL 5.425.

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

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

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

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

The Bank has assets held for resale amounting to TL 408.176 (31 December 2018: TL 113.090) and has no discontinued operations.

Prior Period	31 December 2019	31 December 2018
Cost	113.600	45.652
Accumulated Depreciation (-)	510	567
Net Book Value	**113.090**	**45.085**
Current Period		
Net book value at beginning of the period	113.090	45.085
Additions	328.001	77.020
Disposals (-), net	31.476	8.146
Impairment (-)	1.439	869
Depreciation (-)	-	-
Cost	408.604	113.600
Accumulated Depreciation (-)	428	510
Closing Net Book Value	**408.176**	**113.090**

s. Information on other assets:

Other assets amount to TL 138.428 (31 December 2018: TL 160.138) and does not exceed 10% of the total assets excluding off-balance sheet commitments.

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

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

II. EXPLANATIONS AND NOTES RELATED TO 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	381.249	-	801.874	6.163.650	149.637	78.931	61.293	-	**7.636.634**
Residents in Turkey	362.300	-	782.115	6.078.883	147.360	75.909	54.677	-	**7.501.244**
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	94.463	-	180.449	188.649	11.428	54.188	146	-	**529.323**
Other Institutions Deposits	2.213	-	4.046	43.870	-	-	-	-	**50.129**
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	-	-	-	-	-	-	-	-	-
Total	**592.387**	-	**1.574.273**	**8.675.105**	**176.547**	**200.281**	**344.413**	**40**	**11.563.046**

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	172.899	-	485.371	4.041.452	748.184	86.839	203.012	-	**5.737.757**
Residents in Turkey	154.514	-	482.043	4.010.036	743.045	84.735	198.942	-	**5.673.315**
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	79.691	-	158.635	176.130	14.444	33.257	26.208	-	**488.365**
Other Institutions Deposits	1.457	-	1.563	130.558	166	5.804	-	-	**139.548**
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	8.651	-	88.073	-	-	-	-	-	**96.724**
The CBRT	-	-	88.073	-	-	-	-	-	**88.073**
Domestic Banks	162	-	-	-	-	-	-	-	**162**
Foreign Banks	8.489	-	-	-	-	-	-	-	**8.489**
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**301.043**	-	**1.098.247**	**6.547.529**	**1.328.475**	**250.314**	**534.847**	-	**10.060.455**

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

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

II. EXPLANATIONS AND NOTES RELATED TO 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	
Saving Deposits	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
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	-	-	-	-
Total	**1.890.644**	**1.253.142**	**5.809.011**	**5.818.649**

   ii. There are no deposits covered under foreign authorities' insurance since the 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	-	-
Total	**10.890**	**9.119**

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

None. (31 December 2018: None).

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

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

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

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	34.728	13.214	14.067	58.404
From Foreign Banks, Institutions and Funds	-	2.253.041	-	4.241.318
Total	**34.728**	**2.266.255**	**14.067**	**4.299.722**

2. Information on maturity structure of borrowings:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Short-term	34.728	238.164	14.067	603.283
Medium and Long-term	-	2.028.091	-	3.696.439
Total	**34.728**	**2.266.255**	**14.067**	**4.299.722**

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

The Bank's main funding sources are deposits and borrowings. As of 31 December 2019, deposits and borrowings from Bank's risk group comprise 2,76% (31 December 2018: 1,68%) of total deposits. Besides this, Borrowings from Bank's risk group comprise 78,16% (31 December 2018: 66,08%) of subordinated and other borrowings.

d. Information on marketable securities issued:

None (31 December 2018: None).

e. Information on other liabilities:

Other foreign liabilities amounting to TL 608.907 (31 December 2018: TL 1.040.214) do not exceed 10% of the total of the balance sheet excluding off-balance sheet commitments.

f. Information on lease payables:

	31 December 2019		31 December 2018	
	Gross	**Net**	**Gross**	**Net**
Less Than 1 Year	7.884	5.512	-	-
Between 1-4 Years	11.931	10.490	-	-
More Than 4 Years	122.423	98.356	-	-
Total	**142.238**	**114.358**	-	-

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

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

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

g. Information on derivative financial liabilities:

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

	31 December 2019		31 December 2018	
Trading Derivative Financial Liabilities	**TL**	**FC**	**TL**	**FC**
Forward Transactions	6.963	1.247	113.297	1.618
Swap Transactions	114.834	73.957	131.989	35.787
Futures Transactions	10	-	-	-
Options	18	3.319	-	49.461
Other	-	-	-	-
Total	**121.825**	**78.523**	**245.286**	**86.866**

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	-	-	-	-
Total	**66.656**	**11.257**	**59.902**	**10.371**

h. Information on provisions:

1. Information on reserve for employment termination benefits:

Under the Turkish Labor Law, the Bank 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.

The payment amount that is one month's salary for each working year is restricted to TL 6.379,86 since 1 July 2019 (31 December 2018: TL 5.434,42). Employee termination benefits are not funded, as there is no funding requirement.

In accordance with Turkish Labor Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Bank 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 Bank. There are assumptions in the calculation as discount rate, employee turnover and expected salary increases. In this context, the following actuarial assumptions are used in the calculation of total liabilities:

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

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

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

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

Movement of reserve for employment termination benefits during the period:

	31 December 2019	**31 December 2018**
Prior period balance	12.902	11.432
Service cost	2.539	2.162
Interest cost	1.926	1.242
Settlement cost	578	240
Actuarial loss/gain	2.685	(232)
Benefits paid (-)	1.960	1.942
Total	**18.670**	**12.902**

In addition, as of 31 December 2019 the Bank has accounted for vacation rights provision and personnel bonus provision amounting to TL 29.620 (31 December 2018: TL 29.390).

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 Bank set aside reserves under other provisions amounting to TL 9.236 (31 December 2018: TL 7.292) for lawsuits, TL 24.141 (31 December 2018: TL 35.017) for provisions for non-cash loans and commitments that are not converted to cash and not indemnified. There is no allowance covered 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, there is corporate tax provision amounting to TL 7.178 (31 December 2018: None).

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

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

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

i. Information on taxes payable (Continued):

2. Information on taxes payable:

	31 December 2019	31 December 2018
Corporate Tax Payable	7.178	-
Taxation of Marketable Securities	10.601	9.727
Property Tax	76	78
Banking Insurance Transaction Tax	8.399	9.087
Foreign Exchange Transaction Tax	241	-
Value Added Tax Payable	511	493
Other	3.810	3.783
Total	**30.816**	**23.168**

3. Information on premium payables:

	31 December 2019	31 December 2018
Social Security Premiums-Employee	1.421	1.245
Social Security Premiums-Employer	1.681	1.911
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	97	85
Unemployment Insurance-Employer	195	171
Other	-	40
Total	**3.394**	**3.452**

4. Explanations on deffered tax liability:

As of 31 December 2019, the Bank has netted-off the calculated deferred tax asset of TL 132.396 (31 December 2018: TL 160.790) and deferred tax liability of TL 87.916 (31 December 2018: TL 166.993) in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 44.480 (31 December 2018: TL 6.203 net deferred tax liability) in the financial statements.

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

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

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

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

None (31 December 2018: None).

k. Information on subordinated debt instruments:

Detailed explanation on subordinated loans including quantity, maturity, interest rate, issuing institution, if available, 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 Institutions	-	-	-	-
Foreign Banks	-	1.797.925	-	1.599.472
Other Foreign Institutions	-	-	-	-
Total	**-**	**1.797.925**	**-**	**1.599.472**

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

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

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

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

l. Information on shareholders' equity:

1. Presentation of paid-in capital:

	31 December 2019	31 December 2018
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:

Capital System	Paid-in Capital	Ceiling
Registered Capital	1.535.000	4.000.000

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

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 indicatiors of income, profitability and liquidity of the Parent Bank and the uncertainities 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 Bank within several risk limits and legal limits.

7. Information on privileges given to shares representing the capital:

Based on the Principal Agreement, the 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.

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

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

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

l. Information on shareholders' equity (Continued):

8. Information on marketable securities valuation reserve:

	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 Translation Difference	-	-	-	-
Total	**5.674**	**(2.321)**	**(8.303)**	**(8.999)**

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.

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

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

III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS:

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

	31 December 2019	31 December 2018
Foreign currency buy/sell commitments	174.661	557.476
Loan limit commitments	151.731	117.343
Commitments for cheques	71.523	74.242
Securities buy/sell commitments	31.061	-
Total	**428.976**	**749.061**

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

There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments".

i. Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letters of credit:

	31 December 2019	31 December 2018
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
Total	**3.479.247**	**2.319.967**

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

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
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
Total	**754.905**	**1.045.827**	**596.675**	**1.089.509**

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

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

III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS (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
Total	**3.479.247**	**2.319.967**

ii.

	31 Aralık 2019				31 Aralık 2018			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	**5.615**	**0,74**	**54.454**	**2,00**	**2.816**	**0,47**	**5.547**	**0,32**
Farming and Stockbreeding	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
Fishery	229	0,03	2.998	0,11	229	0,04	-	0,00
Manufacturing	**201.774**	**26,73**	**1.735.867**	**63,72**	**136.589**	**22,88**	**789.236**	**45,81**
Mining and Quarrying	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
Electricity, Gas and Water	53.705	7,11	17.351	0,64	7.533	1,26	4.913	0,29
Construction	**135.029**	**17,89**	**424.250**	**15,57**	**114.034**	**19,10**	**466.943**	**27,10**
Services	**368.870**	**48,86**	**468.787**	**17,21**	**297.399**	**49,81**	**422.773**	**24,54**
Wholesale and Retail Trade	102.754	13,61	141.425	5,19	30.865	5,17	106.608	6,19
Accommodation and Dining	2.315	0,31	14.216	0,52	469	0,08	627	0,04
Transportation and Telecom	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 Rental 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	0,00	-	0,00
Educational Services	2.070	0,27	-	0,00	2.070	0,35	-	0,00
Health and Social Services	1.298	0,17	2.998	0,11	1.925	0,32	-	0,00
Other	**43.617**	**5,78**	**40.984**	**1,50**	**46.248**	**7,75**	**38.382**	**2,23**
Total	**754.905**	**100,00**	**2.724.342**	**100,00**	**597.086**	**100,00**	**1.722.881**	**100,00**

iii. Information on non-cash loans classified in 1st and 2nd group:

	Group I		Group II	
Current Period (*)	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	728.433	813.388	12.733	227.439
Acceptance and Acceptance Loans	-	214.924	-	-
Letters of Credit	-	623.284	-	-
Endorsements	-	-	-	-
Securities Issuance Guarantees	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	839.294	-	-
Total	**728.433**	**2.490.890**	**12.733**	**227.439**

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

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

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

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

b. Information on derivative financial instruments:

	31 December 2019	31 December 2018
Types of Trading Transactions		
Foreign currency related derivative transactions (I)	**14.519.103**	**20.123.385**
Currency forward transactions	533.938	1.423.468
Currency swap transactions	11.392.073	11.193.245
Futures transactions	8.382	-
Options	2.584.710	7.506.672
Interest related derivative transactions (II)	**11.808.580**	**13.564.104**
Forward rate agreements	-	-
Interest rate swaps	11.808.580	13.564.104
Interest rate options	-	-
Interest rate futures	-	-
Other Trading Derivative Transactions (III)	-	-
A. Total trading derivative transactions (I+II+III)	**26.327.683**	**33.687.489**
Types of hedging transactions	**3.143.277**	**4.163.082**
Fair value hedges	-	-
Cash flow hedges	3.143.277	4.163.082
Foreign currency investment hedges	-	-
B. Total hedging related derivatives	**3.143.277**	**4.163.082**
Total derivative transactions (A+B)	**29.470.960**	**37.850.571**

c. Information on contingent assets and contingent liabilities:

As of 31 December 2019, the total amount of legal cases against the Bank is TL 54.309 (31 December 2018: TL 54.164) and the Bank sets aside a provision of TL 9.236 (31 December 2018: TL 7.292) regarding these risks.

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

FITCH (12 November 2019)

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

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

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

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT:

a. Information on interest income:

1. Information on interest income on loans:

	31 December 2019		31 December 2018	
Interest Income on Loans (*)	**TL**	**FC**	**TL**	**FC**
Short-term Loans	514.462	64.195	584.272	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 Utilisation Support Fund	-	-	-	-
Total	**916.391**	**600.853**	**1.091.989**	**565.777**

(*) 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	37.503	867	14.496	1.076
From Foreign Banks	-	7.498	-	4.757
Headquarters and Branches Abroad	-	-	-	-
Total	**45.281**	**8.365**	**72.701**	**5.833**

3. Information on interest income on marketable securities:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Financial Assets Measured at Fair Value through Profit/Loss	259	1.255	643	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
Total	**36.230**	**19.890**	**30.146**	**18.000**

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

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

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

a. Information on interest income (Continued):

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

	31 December 2019	31 December 2018
Interest Received From Investments in Associates and Subsidiaries	3.406	4.321

b. Information on interest expense:

1. Information on interest expense on borrowings:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Banks	**2.054**	**258.192**	**1.682**	**264.502**
The CBRT	-	-	-	-
Domestic Banks	2.054	1.475	1.682	2.127
Foreign Banks	-	256.717	-	262.375
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	**14.102**	-	**15.952**
Total (*)	**2.054**	**272.294**	**1.682**	**280.454**

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

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

	31 December 2019	31 December 2018
Interest Paid to Investment in Associates and Subsidiaries	5.230	10.017

3. Interest expense on issued marketable securities:

None. (31 December 2018: None)

4. Information on interest rate and maturity structure of deposits:

		Time Deposit							
Current Period	**Demand Deposit**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**Over 1 Year**	**Accum. Deposit**	**Total**	**Prior Period Total**
Turkish Currency									
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	-	16.679	37.745	4.613	7.873	3.212	-	70.122	**91.477**
Other Deposits	-	5.513	34.549	10	297	-	-	40.369	**19.621**
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
Total	**-**	**88.132**	**463.244**	**43.145**	**32.535**	**89.800**	**-**	**716.856**	**746.624**
Foreign Currency									
Foreign Currency Account	-	15.828	132.109	11.059	2.707	10.977	-	172.680	**253.493**
Bank Deposits	-	1.777	-	-	-	-	-	1.777	**8.148**
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Total	**-**	**17.605**	**132.109**	**11.059**	**2.707**	**10.977**	**-**	**174.457**	**261.641**
Grand Total	**-**	**105.737**	**595.353**	**54.204**	**35.242**	**100.777**	**-**	**891.313**	**1.008.265**

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

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

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

c.

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

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

	31 December 2019	31 December 2018
Income	**28.708.304**	**34.460.796**
Capital Market Transactions	19.850	6.377
Derivative Financial Transactions	93.933	161.728
Foreign Exchange Gains	28.594.521	34.292.691
Loss (-)	**28.675.436**	**34.394.418**
Capital Market Transactions	4.024	4.049
Derivative Financial Transactions	72.322	160.596
Foreign Exchange Losses	28.599.090	34.229.773
Net Income/Loss	**32.868**	**66.378**

e. Information on other operating income:

In the current period, the Bank's other operating income is TL 15.532 (31 December 2018: TL 16.491). TL 7.816 (31 December 2018: TL 2.951) amount of the other operating income is composed of the profit from sales of the fixed assets that were classified as "Asset Held for Resale".

f. Expected loss provisions and other provision expenses:

	31 December 2019	31 December 2018
Expected Credit Loss	**254.538**	**239.076**
12 Month Expected Credit Loss (Stage 1)	-	31.096
Significant Increase in Credit Risk (Stage 2)	86.341	(49.914)
Non-performing Loans (Stage 3)	168.197	257.894
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	-	-
Investments in Associates, Subsidiaries and Joint Ventures Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	**1.943**	**356**
Total	**256.481**	**239.432**

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

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

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

g. Information related to other operating expenses:

	31 December 2019	31 December 2018
Reserve For Employee Termination Benefits (*)	5.043	4.217
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Amortization Expenses of Fixed Assets	37.506	9.768
Impairment Expenses of Intangible Assets	-	-
Amortization Expenses of Intangible Assets	12.842	11.262
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	112.811	121.312
Leasing expenses related to TFRS 16 exceptions	1.826	31.374
Maintenance Expenses	1.627	1.856
Advertising Expenses	6.241	3.137
Other Expense	103.117	84.945
Loss on Sales of Assets	2.185	22
Other	32.302	31.862
Total	**204.128**	**179.312**

(*) As of 31 December 2019, there is no "Employee Vacation Fee Provision Expense" (31 December 2018: TL 574).

h. Information on net income/(loss) before taxes from discontinued and continuing operations:

The Bank has no discontinued operations. The Bank's net in profit before taxes from continuing operations is TL 158.859 (31 December 2018: TL 199.193).

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

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

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

The Bank has no discontinued operations and the explanations below represent the provision for taxes of continuing operations:

1. Information on calculated current tax income or expense and deferred tax income or expense:

   As of 31 December 2019, the Bank has current tax expense amounting to TL 50.761. Deferred tax income amounts to TL 30.456.

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

   The Bank has TL 160.985 deferred tax income from temporary differences and TL 51.789 deferred tax expense from financial loss carried forward from prior periods. The bank also has deferred tax expense from closed temporary differences amounting to TL 78.740, deferred tax expense and income net-off to TL 30.456 deferred tax income.

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

   As of 31 December 2019, the Bank has TL 82.245 (31 December 2018: TL 137.982 deferred tax expense) deferred tax income arising from temporary differences and deferred tax expense from financial loss carried forward from prior periods amounting to TL 51.789 (31 December 2018: TL 101.491 deferred tax income).

j. Information on continuing and discontinued operations' current period net profit/(loss):

The Bank has no discontinued operations and the below article (j) represents the current period net profit/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 Bank, 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 the following periods, the effect including these periods:

   None.

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

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

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

l. Information on other income and expenses:

1. In the current period, the Bank's interest income amounts to TL 2.157.978 (31 December 2018: TL 2.367.511) and TL 400.476 (31 December 2018: TL 467.674) of this amount is classified as "Other Interest Income" in the income statement.

	31 December 2019	31 December 2018
Other Interest Income		
Interest Income Related to Derivative Transactions	386.265	454.490
Other	14.511	13.184
Total	**400.776**	**467.674**

2. In the current period, the Bank's interest expense amounts to TL 1.494.053 (31 December 2018: TL 1.729.772), TL 309.875 (31 December 2018: TL 431.004) of this amount is classified as "Other Interest Expense" in the income statement.

	31 December 2019	31 December 2018
Other Interest Expense		
Interest Expense Related to Derivative Transactions	293.452	415.463
Other	16.423	15.541
Total	**309.875**	**431.004**

3. In the current period, the Bank's fee and commission income amounts to TL 48.587 (31 December 2018: TL 42.958) and TL 21.508 (31 December 2018: TL 19.484) the related amount is classified under "Other" account in the income statement.

	31 December 2019	31 December 2018
Other Fee and Commissions Received		
Insurance Commissions	7.137	7.898
Account Operating Fees	4.390	2.066
Commissions on Investment Fund Services	2.576	558
Commissions from Correspondent Banks	607	666
Transfer Commissions	519	619
Credit Card and POS Transaction Commission	141	182
Common Point Commissions	102	84
Other	6.036	7.411
Total	**21.508**	**19.484**

4. In the current period, Bank's fee and commission expense amounts to TL 10.407 (31 December 2018: TL 14.801) and TL 10.345 (31 December 2018: TL 14.743) of the related amount is classified under "Other" account.

	31 December 2019	31 December 2018
Other Fee and Commissions Given		
Credit Card Transaction Commission	1.984	2.007
Commissions Granted to Correspondent Banks	1.277	1.411
EFT Commissions	520	692
Common Point Commissions	491	393
Transfer Commissions	101	153
Other	5.972	10.087
Total	**10.345**	**14.743**

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED 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 Bank's partnership structure in 2019.

b. Information on distribution of profit:

According to the decision of the 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. It is classified as legal and extraordinary reserves.

c. Information on capital increase:

There is no change in Bank's capital structure 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 available-for-sale are not recognized in current year income statements; they are recognized in the "Marketable securities valuation reserve" account under equity, until the financial assets are sold, disposed or impaired.

	31 December 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	-	-	-	-
Total	**5.674**	**(2.321)**	**(8.303)**	**(8.999)**

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 net of tax (31 December 2018: TL 1.535) is accounted under "Revaluation differences of tangible assets and intangible assets".

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED 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".

i. Cash and cash equivalents at the beginning of period:

	31 December 2019	31 December 2018
Cash	**1.977.380**	**1.167.902**
Cash, Foreign Currency and Other	84.257	52.065
Demand Deposits in Banks	1.893.123	1.115.837
Cash Equivalents	**444.331**	**68.251**
Interbank Money Market	-	-
Time Deposits in Bank	444.331	68.251
Total Cash and Cash Equivalents	**2.421.711**	**1.236.153**

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.

ii. Cash and cash equivalents at the end of the period:

	31 December 2019	31 December 2018
Cash	**1.641.806**	**1.977.380**
Cash, Foreign Currency and Other	142.396	84.257
Demand Deposits in Banks	1.499.411	1.893.123
Cash Equivalents	**545.940**	**444.331**
Interbank Money Market	540.000	-
Time Deposits in Bank	5.940	444.331
Total Cash and Cash Equivalents	**2.187.746**	**2.421.711**

b. Information on other items presented in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents :

"Other" items presented in "Net operating income before changes in operating assets and liabilities" amount to negative TL 586.739 (31 December 2018: negative TL 1.044.407) 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 731.061 (31 December 2018: positive TL 271.383) and consist of changes in other liabilities and miscellaneous payables.

As of 31 December 2018, the effect of change in foreign exchange rate on cash and cash equivalents is calculated as approximately positive TL 24.302 (31 December 2018: negative TL 166.117).

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

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

VII. EXPLANATIONS AND NOTES RELATED TO BANK'S RISK GROUP:

a. The volume of transactions relating to the Bank'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 Banks' Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Loans and Other Receivables	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**
Balance at the Beginning of the Period	22.858	10.792	-	149.865	166	87
Balance at the End of the Period	-	39.591	-	35.560	98	-
Interest and Commission Income Received	**3.406**	**206**	**7**	**8**	**21**	**1**

31 December 2018 Banks' Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Loans and Other Receivables	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**
Balance at the Beginning of the Period	21.693	12.963	-	-	27	15.429
Balance at the End of the Period	22.858	10.792	-	149.865	166	87
Interest and Commission Income Received	**4.321**	**105**	-	-	**23**	-

2. Information on deposits and repurchase transactions of the Bank's risk group:

Banks' Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Deposit	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the Period	145.154	55.644	11.951	6.357	12.172	24.791
End of the Period	157.181	145.154	147.223	11.951	15.264	12.172
Interest Expense on Deposits	**5.230**	**10.017**	**6.324**	**8.973**	**1.319**	**1.713**

Banks' Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Repurchase Transactions	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Interest Expense on Repurchase Transactions	-	-	-	-	**3**	-

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

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

VII. EXPLANATIONS AND NOTES RELATED TO BANK'S RISK GROUP (Continued):

3. Information on forward and option agreements and other similar agreement with the Bank's risk group:

Banks' Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
Transactions at fair value through profit or loss	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the Period (*)	1.437.332	806.971	-	-	-	-
End of the period (*)	1.294.994	1.437.332	-	-	-	-
Total Profit/Loss	**6.454**	**(57.658)**	**3.351**	-	-	-
Transactions for hedging purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

(*) The information in the table above shows the total amount of "buy".

b. With respect to the Bank's risk group:

1. The relations with entities that are included in the Bank's risk group and controlled by the Bank regardless of the presence of a transaction between parties:

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

2. 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:

	Total Risk Group	Share in Financial Statements (%)
Borrowings and Subordinated Debt Instruments	3.203.896	78,16
Deposit	319.668	2,76
Non-cash loans	75.151	2,16
Banks and Other Institutions	6.459	1,13
Loans	98	0,00

As of 31 December 2019, the Bank has realized interest income from deposits given to banks included in the risk group amounting to TL 2.608 (31 December 2018: TL 2.987), the Bank has realized interest expense amounting to TL 166.800 (31 December 2018: TL 172.440) on loans borrowed from the banks in the Bank's risk group.

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

VII. EXPLANATIONS AND NOTES RELATED TO BANK'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:

   According to the Joint Expense Sharing Agreement with the Bank and its subsidiaries; the Bank has received TL 544 (31 December 2018: TL 417) from Burgan Finansal Kiralama A.Ş., TL 127 (31 December 2018: TL 701) from Burgan Yatırım Menkul Değerler A.Ş as other operating income and the Bank has paid TL 201 (31 December 2018: TL 190) to Burgan Finansal Kiralama A.Ş. as other operating expense.

   In accordance with the limits in Banking Law, cash and non-cash loans are allocated to the Bank's risk group and the amount composes 0,44% (31 December 2018: 1,12%) of the Bank'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 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 Bank is included.

c. Information on benefits provided to top management:

Top management of the Bank is composed of the Board of Directors, General Manager and Vice General Managers. The sum of benefits paid to top management in the current period, totals TL 24.045 (31 December 2018: TL 20.310) which constitutes of the sum of other benefits including yearly gross salaries and other payments and travel, meal aids, heath and life insurances and vehicle expenses.

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

VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

a. Information on domestic, foreign branches and foreign representatives:

	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.

SECTION SIX

OTHER EXPLANATIONS

I. OTHER OPERATIONS RELATED TO BANK'S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON THE INDEPENDENT AUDIT REVIEW REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDIT REPORT:

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

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR:

None.

(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
Financial impact of TFRS 9 "Financial Instruments" standard and recognition of impairment on financial assets and related important disclosures	
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: ▪ Financial assets within balance-sheet and off-balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements ▪ The applications TFRS 9 are complex and comprehensive ▪ 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 ▪ Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses ▪ The complexity and intensity of the control environment in the processes designed or reorganized for TFRS 9 ▪ Estimations and assumptions used in expected credit losses are new, important and complex ▪ Complex and comprehensive disclosure requirements of TFRS 9.	Our audit procedures in addition to our current audit procedures: ▪ Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Group's past performance, and local and global practices ▪ Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists ▪ Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices ▪ Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Bank's business model ▪ Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Bank's historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis ▪ Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses ▪ Detailed testing of mathematical verification of expected credit losses' calculation on a sample basis ▪ Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment ▪ Evaluating the necessity and accuracy of the updates made or required updates after the modeling process ▪ Auditing of disclosures related to TFRS 9.

Derivative Financial Instruments	
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. 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.	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.

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.

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working world

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

T.C.

Yaşar Bivas, SMMM
Partner

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

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.

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

Subsidiaries	**Associates**	**Joint Ventures**
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	Ali Murat DİNÇ	Ümit SÖNMEZ	Ahmet CIĞA
Chairman of the Board of Directors	Member of the Board of Directors and General Manager	Head of Financial Affairs	Head of Accounting, Tax, and Reporting Unit

Halil CANTEKİN	Adrian Alejandro GOSTUSKI	Fouad Husni DOUGLAS
Head of the Audit Committee	Member of the Audit Committee	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 CIĞA / 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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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.

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).

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:

Title	Name	Responsibility	Education
Chairman of the Board of Directors:	Emin Hakan Eminsoy	Chairman of Board of Directors	Undergraduate
Board of Directors Members:	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
General Manager:	Ali Murat Dinç	Member and General Manager	Graduate
Vice General Managers:	Esra Aydın	Operations & Management Services	Undergraduate
	Mutlu Akpara	Treasury, Capital Markets and Financial Institutions	Graduate
	Cihan Vural	Internal Systems	Undergraduate
	Rasim Levent Ergin	Human Resources	Graduate
	Suat Kerem Sözügüzel	Commercial and Corporate Banking	Undergraduate
	Hasan Hüseyin Uyar	Loans	Graduate
	Hasan Ufuk Dinç	Digital Banking and Information Technologies	Graduate
	Ümit Sönmez	Financial Affairs	Graduate
Audit Committee:	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.

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

GENERAL INFORMATION ABOUT THE GROUP (Continued):

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

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

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

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

As of 31 December 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)		
	ASSETS		TL	FC	Total	TL	FC	Total
I.	**FINANCIAL ASSETS (Net)**		**1.997.500**	**2.304.665**	**4.302.165**	**2.479.152**	**2.024.626**	**4.503.778**
1.1	**Cash and cash equivalents**		**1.271.783**	**2.023.492**	**3.295.275**	**1.385.180**	**1.566.479**	**2.951.659**
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
1.2	**Financial assets at fair value through profit or loss**	**I-b**	**1.553**	**34.739**	**36.292**	**1.117**	**11.654**	**12.771**
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
1.3	**Financial assets at fair value through other comprehensive income**	**I-d**	**168.674**	**167.651**	**336.325**	**258.862**	**134.287**	**393.149**
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
1.4	**Derivative financial assets**	**I-l**	**555.490**	**78.783**	**634.273**	**833.993**	**312.206**	**1.146.199**
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
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)**		**4.890.565**	**11.283.669**	**16.174.234**	**5.975.521**	**11.050.481**	**17.026.002**
2.1	**Loans**	**I-e-f**	**4.673.923**	**9.190.030**	**13.863.953**	**5.686.116**	**8.999.987**	**14.686.103**
2.2	**Receivables from leasing transactions**	**I-k**	**570.956**	**2.372.175**	**2.943.131**	**602.059**	**2.197.001**	**2.799.060**
2.3.	**Factoring receivables**	**I-e-f**	**7**	-	**7**	**7**	-	**7**
2.4	**Other financial assets measured at amortized cost**	**I-g**	-	**262.923**	**262.923**	-	**236.801**	**236.801**
2.4.1	Public debt securities		-	262.923	262.923	-	236.801	236.801
2.4.2	Other financial assets		-	-	-	-	-	-
2.5	**Expected credit losses (-)**	**I-e-f**	**354.321**	**541.459**	**895.780**	**312.661**	**383.308**	**695.969**
III.	**NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)**	**I-r**	**409.415**	-	**409.415**	**113.385**	-	**113.385**
3.1	Held for sale		409.415	-	409.415	113.385	-	113.385
3.2	Held from discontinued operations		-	-	-	-	-	-
IV.	**INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**		-	-	-	-	-	-
4.1	**Investments in associates (Net)**	**I-h**	-	-	-	-	-	-
4.1.1	Associates accounted by using equity method		-	-	-	-	-	-
4.1.2	Non-consolidated associates		-	-	-	-	-	-
4.2.	**Investments in subsidiaries (Net)**	**I-i**	-	-	-	-	-	-
4.2.1	Non-consolidated financial subsidiaries		-	-	-	-	-	-
4.2.2	Non-consolidated non-financial subsidiaries		-	-	-	-	-	-
4.3	**Jointly Controlled Partnerships (Joint Ventures) (Net)**	**I-j**	-	-	-	-	-	-
4.3.1	Jointly controlled partnerships accounted by using equity method		-	-	-	-	-	-
4.3.2	Non-consolidated jointly controlled partnerships		-	-	-	-	-	-
V.	**TANGIBLE ASSETS (Net)**	**I-m**	**322.442**	-	**322.442**	**63.737**	-	**63.737**
VI.	**INTANGIBLE ASSETS (Net)**	**I-n**	**38.824**	-	**38.824**	**45.003**	-	**45.003**
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		38.824	-	38.824	45.003	-	45.003
VII.	**INVESTMENT PROPERTIES (Net)**	**I-o**	-	-	-	-	-	-
VIII.	**CURRENT TAX ASSETS**		**13.854**	-	**13.854**	**15.757**	-	**15.757**
IX.	**DEFERRED TAX ASSETS**	**I-p**	**65.844**	-	**65.844**	**22.960**	-	**22.960**
X.	**OTHER ASSETS (Net)**	**I-s**	**130.008**	**90.022**	**220.030**	**147.782**	**90.461**	**238.243**
	TOTAL ASSETS		**7.868.452**	**13.678.356**	**21.546.808**	**8.863.297**	**13.165.568**	**22.028.865**

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	Audited (31/12/2019)			Audited (31/12/2018)		
	LIABILITIES	(Section Five)	TL	FC	Total	TL	FC	Total
I.	**DEPOSITS**	**II-a**	**3.626.459**	**7.779.406**	**11.405.865**	**4.150.781**	**5.764.519**	**9.915.300**
II.	**LOANS RECEIVED**	**II-c**	**228.779**	**4.821.351**	**5.050.130**	**128.809**	**6.731.798**	**6.860.607**
III.	**MONEY MARKET FUNDS**		**19.168**	**192.346**	**211.514**	**8.922**	**171.306**	**180.228**
IV.	**MARKETABLE SECURITIES (Net)**	**II-d**	-	-	-	-	-	-
4.1	Bills		-	-	-	-	-	-
4.2	Asset backed securities		-	-	-	-	-	-
4.3	Bonds		-	-	-	-	-	-
V.	**FUNDS**		-	-	-	-	-	-
5.1	Borrower funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**	**II-b**	-	-	-	-	-	-
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**II-g**	**120.688**	**103.806**	**224.494**	**256.757**	**102.441**	**359.198**
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
VIII.	**FACTORING PAYABLES**		-	-	-	-	-	-
IX.	**LEASE PAYABLES (Net)**	**II-f**	**26.364**	**92.604**	**118.968**	-	-	-
X.	**PROVISIONS**	**II-h**	**75.314**	**15.737**	**91.051**	**65.166**	**26.497**	**91.663**
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
XI.	**CURRENT TAX LIABILITIES**	**II-i**	**40.314**	-	**40.314**	**29.570**	-	**29.570**
XII.	**DEFERRED TAX LIABILITIES**	**II-i**	-	-	-	**6.203**	-	**6.203**
XIII.	**LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)**	**II-j**	-	-	-	-	-	-
13.1	Held for sale		-	-	-	-	-	-
13.2	Related to discontinued operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT**	**II-k**	-	**1.797.925**	**1.797.925**	-	**1.599.472**	**1.599.472**
14.1	Loans		-	1.797.925	1.797.925	-	1.599.472	1.599.472
14.2	Other debt instruments		-	-	-	-	-	-
XV.	**OTHER LIABILITIES**	**II-e**	**201.677**	**485.595**	**687.272**	**202.453**	**908.191**	**1.110.644**
XVI.	**SHAREHOLDERS` EQUITY**	**II-l**	**1.935.465**	**(16.190)**	**1.919.275**	**1.872.094**	**3.886**	**1.875.980**
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		-	-	-	-	-	-
	TOTAL EQUITY AND LIABILITIES		**6.274.228**	**15.272.580**	**21.546.808**	**6.720.755**	**15.308.110**	**22.028.865**

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

BURGAN BANK A.Ş.
CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018

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

II.	OFF-BALANCE SHEET	Note (Section Five)	Audited (31/12/2019)			Audited (31/12/2018)		
			TL	FC	Total	TL	FC	Total
A	**OFF-BALANCE SHEET COMMITMENTS (I+II+III)**		**2.996.151**	**27.645.987**	**30.642.138**	**6.320.271**	**31.644.654**	**37.964.925**
I.	**GUARANTEES AND WARRANTIES**	**III-a-2-3**	**754.905**	**2.724.342**	**3.479.247**	**597.086**	**1.722.881**	**2.319.967**
1.1	Letters of Guarantee		754.905	1.045.827	1.800.732	596.675	1.089.509	1.686.184
1.1.1	Guarantees Subject to State Tender Law		15.047	287	15.334	10.249	3.643	13.892
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		739.858	1.045.540	1.785.398	586.426	1.085.866	1.672.292
1.2	Bank Acceptances		-	214.924	214.924	411	102.926	103.337
1.2.1	Import Letter of Acceptance		-	214.924	214.924	411	102.926	103.337
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	624.297	624.297	-	385.116	385.116
1.3.1	Documentary Letters of Credit		-	624.297	624.297	-	385.116	385.116
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	839.294	839.294	-	145.330	145.330
1.9	Other Collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**	**III-a-1**	**210.597**	**138.379**	**348.976**	**409.255**	**299.806**	**709.061**
2.1	Irrevocable Commitments		210.597	138.379	348.976	409.255	299.806	709.061
2.1.1	Asset Purchase and Sales Commitments		67.343	138.379	205.722	257.670	299.806	557.476
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Commitments for Loan Limits		71.731	-	71.731	77.343	-	77.343
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		71.523	-	71.523	74.242	-	74.242
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10	Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		-	-	-	-	-	-
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**2.030.649**	**24.783.266**	**26.813.915**	**5.313.930**	**29.621.967**	**34.935.897**
3.1	Hedging Derivative Financial Instruments		822.765	4.964.281	5.787.046	1.083.828	5.645.797	6.729.625
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		822.765	4.964.281	5.787.046	1.083.828	5.645.797	6.729.625
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		1.207.884	19.818.985	21.026.869	4.230.102	23.976.170	28.206.272
3.2.1	Forward Foreign Currency Buy/Sell Transactions		191.740	342.198	533.938	757.320	664.439	1.421.759
3.2.1.1	Forward Foreign Currency Transactions-Buy		159.606	111.731	271.337	124.973	532.250	657.223
3.2.1.2	Forward Foreign Currency Transactions-Sell		32.134	230.467	262.601	632.347	132.189	764.536
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		173.728	17.726.111	17.899.839	1.245.181	18.032.660	19.277.841
3.2.2.1	Foreign Currency Swap-Buy		42.248	5.305.663	5.347.911	948.271	4.312.360	5.260.631
3.2.2.2	Foreign Currency Swap-Sell		131.480	5.235.280	5.366.760	296.910	4.746.372	5.043.282
3.2.2.3	Interest Rate Swap-Buy		-	3.592.584	3.592.584	-	4.486.964	4.486.964
3.2.2.4	Interest Rate Swap-Sell		-	3.592.584	3.592.584	-	4.486.964	4.486.964
3.2.3	Foreign Currency, Interest rate and Securities Options		838.192	1.746.518	2.584.710	2.227.601	5.279.071	7.506.672
3.2.3.1	Foreign Currency Options-Buy		269.717	1.009.481	1.279.198	528.333	3.150.835	3.679.168
3.2.3.2	Foreign Currency Options-Sell		568.475	737.037	1.305.512	1.699.268	2.128.236	3.827.504
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		4.224	4.158	8.382	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		4.224	-	4.224	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	4.158	4.158	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	**CUSTODY AND PLEDGES RECEIVED (IV+V+VI)**		**55.460.063**	**50.870.916**	**106.330.979**	**37.264.918**	**43.505.919**	**80.770.837**
IV.	**ITEMS HELD IN CUSTODY**		**17.617.261**	**1.526.244**	**19.143.505**	**1.025.971**	**385.612**	**1.411.583**
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		16.782.238	522.415	17.304.653	333.358	182.180	515.538
4.3	Cheques Received for Collection		806.039	125.768	931.807	673.437	83.592	757.029
4.4	Commercial Notes Received for Collection		28.984	8.642	37.626	19.176	22.820	41.996
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	869.419	869.419	-	97.020	97.020
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGES RECEIVED**		**37.622.626**	**49.344.672**	**86.967.298**	**36.238.947**	**43.120.307**	**79.359.254**
5.1	Marketable Securities		79.361	-	79.361	56.132	-	56.132
5.2	Guarantee Notes		21.688.143	18.204.640	39.892.783	22.275.449	17.248.376	39.523.825
5.3	Commodity		746.113	1.361.832	2.107.945	886.897	660.754	1.547.651
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		13.477.365	25.384.363	38.861.728	11.509.609	20.785.740	32.295.349
5.6	Other Pledged Items		1.631.644	4.393.837	6.025.481	1.510.860	4.425.437	5.936.297
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		220.176	-	220.176	-	-	-
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**58.456.214**	**78.516.903**	**136.973.117**	**43.585.189**	**75.150.573**	**118.735.762**

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

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.)

III.	STATEMENT OF PROFIT OR LOSS INCOME AND EXPENSE ITEMS	Note (Section Five)	Audited 01/01/2019 - 31/12/2019	Audited 01/01/2018-31/12/2018
I.	**INTEREST INCOME**	**IV-a**	**2.413.070**	**2.547.733**
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	IV-l	400.603	444.320
II.	**INTEREST EXPENSES (-)**	**IV-b**	**1.600.423**	**1.817.901**
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-l	290.787	410.348
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**812.647**	**729.832**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**32.962**	**32.164**
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-l	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-l	17.332	17.710
V.	**DIVIDEND INCOME**	**IV-c**	**2.769**	**700**
VI.	**TRADING PROFIT/LOSS (Net)**	**IV-d**	**40.440**	**71.823**
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
VII.	**OTHER OPERATING INCOME**	**IV-e**	**55.554**	**37.227**
VIII.	**GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)**		**944.372**	**871.746**
IX.	**ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)**	**IV-f**	**305.589**	**259.205**
X.	**OTHER PROVISION EXPENSES (-)**	**IV-f**	**2.067**	**356**
XI.	**PERSONNEL EXPENSES (-)**		**212.543**	**193.265**
XII.	**OTHER OPERATING EXPENSES (-)**	**IV-g**	**249.925**	**209.856**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**174.248**	**209.064**
XIV.	**SURPLUS WRITTEN AS GAIN AFTER MERGER**		-	-
XV.	**PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES**		-	-
XVI.	**NET MONETARY POSITION GAIN/LOSS**		-	-
XVII.	**PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)**	**IV-h**	**174.248**	**209.064**
XVIII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**	**IV-i**	**(35.694)**	**(47.305)**
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
XIX.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)**	**IV-j**	**138.554**	**161.759**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-
20.1	Income from assets held for sale		-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other income from discontinued operations		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-
21.1	Expenses on assets held for sale		-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3	Other expenses from discontinued operations		-	-
XXII.	**PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XX-XXI)**		-	-
XXIII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		-	-
23.1	Current tax provision		-	-
23.2	Expense effect of deferred tax (+)		-	-
23.3	Income effect of deferred tax (-)		-	-
XXIV.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)**		-	-
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**	**IV-k**	**138.554**	**161.759**
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.

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.)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Audited 31/12/2019	Audited 31/12/2018
I.	**CURRENT PERIOD INCOME/LOSS**	**138.554**	**161.759**
II.	**OTHER COMPREHENSIVE INCOME**	**(94.622)**	**27.785**
2.1	**Other comprehensive income not to be reclassified to profit or loss**	**(935)**	**1.618**
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)
2.2	**Other comprehensive income to be reclassified to profit or loss**	**(93.687)**	**26.167**
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)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**43.932**	**189.544**

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

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

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

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

Describes;
1.Fixed assets revaluations increases / decreases,
2.Accumulated 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))

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.)

VI.	STATEMENT OF CASH FLOWS	Note (Section Five)	Audited 31/12/2019	Audited 31/12/2018
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**		**194.900**	**(7.799)**
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)
1.2	**Changes in Operating Assets and Liabilities**		**(615.730)**	**957.442**
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
I.	**Net Cash Provided from Banking Operations**		**(420.830)**	**949.643**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net Cash Provided from Investing Activities**		**107.542**	**(100.565)**
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment		(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		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net Cash Provided from Financing Activities**		-	**348.304**
3.1	Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Issued Capital Instruments		-	348.304
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**28.636**	**190.537**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)**		**(284.652)**	**1.387.919**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**VI**	**2.650.063**	**1.262.144**
VII.	**Cash and Cash Equivalents at end of the Period**	**VI**	**2.365.411**	**2.650.063**

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

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 (**)
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
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
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**138.554**	**161.759**
1.3	PRIOR YEAR LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	-	**161.759**
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	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF ORDINARY SHARES	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) TL 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).

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.

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.

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.

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.

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.

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 fows 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.

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.

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.

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.

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 ("TFRS 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.

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 "TFRS 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 TFRS 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.

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.

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".

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

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.

	31 December 2019	**31 December 2018**
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
Earnings Per Ordinary Shares (Disclosed as 1.000 nominal in full TL)	**0,903**	**1,173**

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.

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.

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.

(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:

	1 January 2019	**31 December 2019**
Real estate	125.891	129.927
Motor Vehicles	9.861	9.760
Total asset tenure	**135.752**	**139.687**

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

	31 December 2019
Real estate	22.634
Motor Vehicles	4.533
Total asset tenure depreciation expense	**27.167**

Short-term lease agreements with a duration of 12 moths 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.

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

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.

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

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 (*)
COMMON EQUITY TIER 1 CAPITAL				
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	-		-	
Common Equity Tier 1 Capital Before Deductions	**2.073.204**		**2.228.751**	
Deductions from Common Equity Tier 1 Capital	-		-	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-		-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	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	-		-	
Total Deductions from Common Equity Tier 1 Capital	**96.299**		**345.290**	
Total Common Equity Tier 1 Capital	**1.976.905**		**1.883.461**	

(*) 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.

(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):

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

(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):

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 (*)
TOTAL CAPITAL				
Total Capital (Tier I and Tier II Capital)	**3.622.102**		**3.516.051**	
Total risk weighted amounts	19.116.167		19.014.620	
Capital Adequacy Ratios				
Core Capital Adequacy Ratio (%)	10,34		9,91	
Tier 1 Capital Adequacy Ratio (%)	10,34		9,91	
Capital Adequacy Ratio (%)	18,95		18,49	
BUFFERS				
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	
Amounts below the Excess Limits as per the Deduction Principles				
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-		-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-		-	
Amount arising from deferred tax assets based on temporary differences	-		-	
Limits related to provisions considered in Tier II calculation	168.007		187.759	
Limits related to provisions considered in Tier II calculation				
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	-		-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	-		-	
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-		-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-		-	

(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):

I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):

b. Information on instruments related to equity estimation:

Details on debt instruments that will be included in equity calculation:		
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 Treatmentin Equity Calculation	Tier II Capital	Tier II Capital
Assesment whether it is subject to being taken into consideration as 10% decreased as of 1/1/12015	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 whch 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.

(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):

I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):

c. Information related to the TFRS 9 transition process:

	T	T-1	T-2	T-3
EQUITY ITEMS				
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
TOTAL RISK WEIGHTED AMOUNTS				
Total Risk Weighted Amounts	19.116.167	19.116.167	19.116.167	19.116.167
CAPITAL ADEQUACY RATIOS				
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
LEVERAGE RATIO				
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

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 Brach authorization. Foreign currency loans and counter party / external guarantees cannot be issued by branches.

(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):

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:

31 December 2019 **Risk Group**	**Amount**	**Average**
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
Total	**25.900.026**	**25.115.637**

(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):

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

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.

(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:

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

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

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

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

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

(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:

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

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

(*) 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.

	31 December 2019	31 December 2018
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):

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

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

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

(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):

f. Profile of significant exposures in major regions:

	Exposure Categories (*)																	
Current Period	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**Total**
31 December 2019																		
Domestic	3.672.932	198.532	71	-	-	796.233	10.374.425	502.212	6.051.588	851.393	-	-	-	-	-	-	1.111.400	**23.558.786**
EU Countries	-	-	-	7.543	-	956.291	15	8	1	-	-	-	-	-	-	-	-	**963.858**
OECD Countries (**)	-	-	-	-	-	15.243	-	-	-	-	-	-	-	-	-	-	-	**15.243**
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	9.155	21.115	-	-	14.464	-	-	-	-	-	-	-	**44.734**
Other Countries	-	-	-	-	-	6.889	18	1	474	-	-	-	-	-	-	-	-	**7.382**
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3.672.932**	**198.532**	**71**	**7.543**	**-**	**1.783.811**	**10.395.573**	**502.221**	**6.052.063**	**865.857**	**-**	**-**	**-**	**-**	**-**	**-**	**1.111.400**	**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
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.

(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):

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

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

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

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.
(**) Includes OECD countries other than EU countries, USA and Canada.

(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:

	Exposure Categories (*)																			
31 December 2019	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**	**FC**	**Total**
Agriculture	**-**	**-**	**-**	**-**	**-**	**-**	**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
Manufacturing	**-**	**-**	**-**	**-**	**-**	**-**	**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
Construction	**-**	**-**	**-**	**-**	**-**	**-**	**2.220.236**	**6.791**	**2.323.441**	**273.812**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.245.467**	**3.578.813**	**4.824.280**
Services	**-**	**-**	**-**	**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
Other	**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**
Total	**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
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.

(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):

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

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
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.

(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):

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

31 December 2019	Term To Maturity				
Risk classifications	**1 Month**	**1-3 Months**	**3-6 Months**	**6-12 Months**	**Over 1 Year**
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
Total	**2.659.866**	**1.218.760**	**1.214.663**	**2.228.088**	**13.469.587**

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

(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):

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:

31 December 2019 Risk Weights	0%	20%	35%	50%	75%	100%	150%	Deductions from Equity
1.Exposures before Credit Risk Mitigation	2.410.094	1.129.853	647.394	4.816.198	510.166	14.918.167	158.128	2.679
2. Exposures after Credit Risks Mitigation (*)	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.

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

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

(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):

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

31 December 2019	Loans		Provisions	
Major Sectors / Counterparties	**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)**
Agriculture	**9.828**	**1.777**	**13**	**610**
Farming and Stockbreeding	9.548	1.768	11	604
Forestry	280	4	2	3
Fishery	-	5	-	3
Manufacturing	**602.236**	**383.873**	**104.174**	**118.456**
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
Construction	**632.679**	**338.110**	**27.414**	**64.298**
Services	**1.802.915**	**290.456**	**293.423**	**105.388**
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
Other	**415.872**	**178.556**	**87.955**	**38.163**
Total	**3.463.530**	**1.192.772**	**512.979**	**326.915**

(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):

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

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

(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):

l. Information about Value Adjustment and Change in Provisions:

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

(*) 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.

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

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

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

m. Risks Included in Cyclical Capital Buffer Calculation:

None.

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.

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. 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.

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. 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.

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.

(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):

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	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**19.116.167**	**19.014.620**	**1.529.294**

(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):

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:

			Carrying values of items in accordance with TAS				
31 December 2019	**Carrying values in financial statements prepared as per TAS**	**Carrying values of items in accordance with TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitisation framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets							
Cash and balances with the Central Bank (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	-	-	-	-
Total assets	**21.546.808**	**21.546.808**	**20.847.359**	**1.441.199**	**-**	**159.253**	**59.057**
Liabilities							
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
Total Liabilities	**21.546.808**	**21.546.808**	**-**	**337.185**	**-**	**93.598**	**21.209.623**

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

(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):

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:

			Carrying values of items in accordance with TAS				
31 December 2018	**Carrying values in financial statements prepared as per TAS**	**Carrying values of items in accordance with TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitisation framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets							
Cash and balances with the Central Bank (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	-	-	-	-
Total assets	**22.028.865**	**22.028.865**	**21.255.873**	**1.368.866**		**238.645**	**64.429**
Liabilities							
Deposits	9.915.300	9.915.300	-	-	-	-	9.915.300
Derivative Financial Liabilities Held for Trading	288.925	288.925	-	-	-	-	49.461
Funds Borrowed	6.860.607	6.860.607	-	239.464	-	145.908	6.860.607
Money Markets	180.228	180.228	-	180.228	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	885.472	885.472	-	-	-	-	885.472
Other Liabilities	225.172	225.172	-	-	-	-	225.172
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	70.273	70.273	-	-	-	-	70.273
Provisions	91.663	91.663	-	-	-	-	91.663
Tax Liability	35.773	35.773	-	-	-	-	35.773
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	1.599.472	1.599.472	-	-	-	-	1.599.472
Shareholder's Equity	1.875.980	1.875.980	-	-	-	-	1.875.980
Total Liabilities	**22.028.865**	**22.028.865**	**-**	**419.692**	**-**	**145.908**	**21.609.173**

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

(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):

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

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

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

	31 December 2018	**Total**	**Subject To Credit Risk**	**Subject to the Securitisation**	**Subject To Counterparty Credit Risk**	**Subject To Market Risk**
1	Asset carrying value amount under scope of regulatory consolidation	**22.863.384**	21.255.873	-	1.368.866	238.645
2	Liabilities carrying value amount under regulatory scope of consolidation	**(565.600)**	-	-	(419.692)	(145.908)
3	Total net amount under regulatory scope of consolidation	**22.297.784**	21.255.873	-	949.174	92.737
4	Off-Balance Sheet Amounts	-	-	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences Resulted from the BRSA's Applications	**2.040.225**	1.521.527	-	398.916	119.782
9	Differences due to credit risk reduction	-	-	-	-	-
10	Risk Amounts	**24.338.009**	**22.777.400**	-	**1.348.090**	**212.519**

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.

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

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.

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

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.

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

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.

(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):

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	**Total**	**1.220.396**	**19.856.763**	**920.701**	**20.156.458**

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

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	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**1.220.396**

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

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.

(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):

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):

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

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

(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):

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
1	**Agriculture**	**104.675**	**37.841**
2	Farming and Stockbreeding	96.572	35.281
3	Forestry	437	233
4	Fishery	7.666	2.327
5	**Manufacturing**	**7.060.206**	**5.686.796**
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
9	**Construction**	**4.923.232**	**5.139.126**
10	**Services**	**5.715.751**	**6.212.277**
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	**1.586.694**	**2.033.128**
20	**Total**	**19.390.558**	**19.109.168**

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
31 December 2019							
Cash and Non-cash loans	3.925.098	2.516.711	3.559.457	6.412.952	2.110.483	865.857	**19.390.558**
31 December 2018							
Cash and Non-cash loans	3.704.209	2.004.112	4.169.831	6.715.845	1.905.624	609.547	**19.109.168**

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.

(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):

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
1	**Agriculture**	**1.777**	**610**	**10.115**	**7.409**
2	Farming and Stockbreeding	1.768	604	9.549	6.845
3	Forestry	4	3	539	539
4	Fishery	5	3	27	25
5	**Manufacturing**	**383.873**	**118.456**	**211.241**	**88.552**
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
9	**Construction**	**338.110**	**64.298**	**206.081**	**41.741**
10	**Services**	**290.456**	**105.388**	**304.838**	**103.759**
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
19	Other	**178.556**	**38.163**	**138.723**	**19.990**
20	**Total**	**1.192.772**	**326.915**	**870.998**	**261.451**

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
Agriculture	**5.579**	**3.254**
Farming and Stockbreeding	5.460	2.736
Forestry	97	518
Fishery	22	-
Manufacturing	**36.457**	**43.176**
Mining and Quarrying	3.219	567
Production	32.994	42.609
Electricity, Gas and Water	244	-
Construction	**21.214**	**4.033**
Services	**25.987**	**9.198**
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	**17.118**	**45**
Total	**106.355**	**59.706**

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

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 Communique on Measurement and Evaluation of Bank's Capital Adequacy and its annexes and Communique on Risk Mitigation Techniques.

(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):

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

2. Credit risk mitigation techniques

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

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

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.

(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):

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	
	Exposure Categories	**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 Invesment	-	-	-	-	-	-
18	**Total**	**20.847.359**	**3.610.088**	**20.878.051**	**2.291.750**	**17.246.856**	**74,4%**

31 December 2018		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	**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 Invesment	-	-	-	-	-	-
18	**Total**	**21.255.873**	**2.458.627**	**21.264.289**	**1.513.111**	**17.180.635**	75,4%

(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):

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

3. Exposures by asset classes and risk weights

	31 December 2019 **Exposure Categories/ Risk weight**	**0%**	**10%**	**20%**	**Guaranteed by 35% Real Estate Fund**	**50%**	**75%**	**100%**	**150%**	**200%**	**Total credit risk exposure amount (after CCF and CRM)**
1	Exposures to central governments or central banks	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	**Total**	**2.819.249**	**-**	**917.591**	**619.913**	**3.765.471**	**488.633**	**14.482.503**	**76.441**	**-**	**23.169.801**

(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):

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

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

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

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.

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.

(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):

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

	31 December 2019	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
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					-	-
6	**Total**					**1.420.202**	**406.872**

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

(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):

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

3. Credit valuation adjustment (CVA) capital charge

	31 December 2019	**Exposure (After credit risk mitigation methods)**	**Risk Weighted Amounts**
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at risk component (including 3*multiplier)		
2	(ii) Stressed Value at Risk (including 3*multiplier)		
3	All portfolios subject to Standardised CVA capital obligation	1.420.202	121.220
4	**Total amount of CVA capital adequacy**	**1.420.202**	**121.220**

	31 December 2018	**Exposure (After credit risk mitigation methods)**	**Risk Weighted Amounts**
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at risk component (including 3*multiplier)		
2	(ii) Stressed Value at Risk (including 3*multiplier)		
3	All portfolios subject to Standardised CVA capital obligation	1.348.090	165.300
4	**Total amount of CVA capital adequacy**	**1.348.090**	**165.300**

(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):

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

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

31 December 2019 **Risk Weights**	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Other**	**Total credit risk**
Risk Classes									
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	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**193.942**	**-**	**821.626**	**323.874**	**605**	**80.155**	**-**	**-**	**1.420.202**

(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):

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

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

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

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			
	Segregated	Unsegregated	Segregated	Unsegregated	Collaterals Taken	Collaterals Given
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	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**193.943**	**-**

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

6. Credit derivatives: None.

(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):

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.

31 December 2019		Exposure at default (post-CRM)	RWA
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 securitiy 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 securitiy 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	-	-

(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):

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

7. Risks to Central Counterparty (Continued):

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

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.

(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):

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

	31 December 2019	**RWA**
	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	-
9	**Total**	**111.282**

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

(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):

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.

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

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

(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):

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**
Bid rate	**TL 6,6621**	**TL 6,0422**	**TL 5,9400**	**TL 5,2810**
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

(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):

V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued):

Information on currency risk of the Group:

	EUR	USD	Other FC	Total
31 December 2019				
Assets				
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
Total Assets	**8.581.361**	**5.856.613**	**16.574**	**14.454.548**
Liabilities				
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
Total Liabilities	**4.820.447**	**10.267.180**	**154.116**	**15.241.743**
Net On-balance Sheet Position	**3.760.914**	**(4.410.567)**	**(137.542)**	**(787.195)**
Net Off-balance Sheet Position	**(3.409.210)**	**4.649.032**	**138.159**	**1.377.981**
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
Non-Cash Loans (**)	**1.081.865**	**1.566.223**	**76.254**	**2.724.342**
31 December 2018				
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
Net On-balance Sheet Position	**4.055.122**	**(5.235.937)**	**(153.228)**	**(1.334.043)**
Net Off-balance Sheet Position	**(3.811.325)**	**5.474.656**	**154.138**	**1.817.469**
Financial Derivative Assets	1.104.682	8.236.853	207.430	9.548.965
Financial Derivative Liabilities	4.916.007	2.762.197	53.292	7.731.496
Non-Cash Loans (**)	**725.771**	**945.549**	**51.561**	**1.722.881**

(*) 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".

(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):

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
Total, net	**14.630**	**(14.630)**	**15.019**	**(15.019)**	**5.429**	**(5.429)**	**5.818**	**(5.818)**

(*) Equity effect also includes income table effects.

(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):

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):

31 December 2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets (***)							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	-	-	-	-	-	2.162.662	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
Total Assets	**4.657.202**	**3.949.352**	**4.222.848**	**3.768.479**	**810.547**	**4.138.380**	**21.546.808**
Liabilities							
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
Total Liabilities	**10.395.771**	**5.909.882**	**1.735.696**	**164.972**	**7.738**	**3.332.749**	**21.546.808**
Balance Sheet Long Position	**-**	**-**	**2.487.152**	**3.603.507**	**802.809**	**805.631**	**7.699.099**
Balance Sheet Short Position	**(5.738.569)**	**(1.960.530)**	**-**	**-**	**-**	**-**	**(7.699.099)**
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)
Total Position	**(4.991.707)**	**(1.020.555)**	**3.617.137**	**1.317.698**	**802.809**	**805.631**	**531.013**

(*) 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.

(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):

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

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

31 December 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets (***)							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	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
Total Assets	**8.894.835**	**2.581.267**	**5.129.195**	**3.415.942**	**504.932**	**1.502.694**	**22.028.865**
Liabilities							
Bank Deposits	3.464	84.609	-	-	-	8.651	96.724
Other Deposits	5.872.380	2.730.023	906.979	19.183	-	290.011	9.818.576
Funds From Interbank Money Market	10.842	169.386	-	-	-	-	180.228
Miscellaneous Payables	-	-	-	-	-	955.895	955.895
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	3.773.924	2.654.042	1.973.133	58.980	-	-	8.460.079
Other Liabilities (*)(**)	29.697	147.264	95.840	85.540	857	2.158.165	2.517.363
Total Liabilities	**9.690.307**	**5.785.324**	**2.975.952**	**163.703**	**857**	**3.412.722**	**22.028.865**
Balance Sheet Long Position	-	-	**2.153.243**	**3.252.239**	**504.075**	-	**5.909.557**
Balance Sheet Short Position	**(795.472)**	**(3.204.057)**	-	-	-	**(1.910.028)**	**(5.909.557)**
Off-balance Sheet Long Position	797.196	1.448.656	1.163.417	-	-	-	3.409.269
Off-balance Sheet Short Position	-	-	-	(2.589.025)	(60.422)	-	(2.649.447)
Total Position	**1.724**	**(1.755.401)**	**3.316.660**	**663.214**	**443.653**	**(1.910.028)**	**759.822**

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 664.968 and other liabilities includes hedging derivative financial liabilities amounting to TL 70.273 classified to a related re-pricing periods
(**) Shareholders' Equity is presented in the Non-Interest Bearing column.
(***) Assets are shown with their net values in their related period by deducting allowances for expected credit losses.

Interest rate sensitivity analysis:

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

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

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.

(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):

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

b. Average interest rates for monetary financial instruments:

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

31 December 2019	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	-
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	-	-
Liabilities				
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.

31 December 2018	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	2,00	-	13,00
Due From Banks	-	2,18	-	-
Financial Assets at Fair Value Through Profit/Loss	3,88	6,90	-	13,09
Interbank Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3,05	4,66	-	14,93
Loans	5,86	8,10	-	23,52
Financial Assets Measured at Amortized Cost	-	4,41	-	-
Liabilities				
Bank Deposits	1,94	-	-	-
Other Deposits (*)	2,56	5,08	-	22,88
Funds From Interbank Money Market	-	3,61	-	26,09
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	2,95	5,13	-	21,64

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

(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):

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%
Total (For Negative Shocks)		**42.174**	**1,2%**
Total (For Positive Shocks)		**(93.858)**	**(2,6)%**

VII. EXPLANATIONS ON CONSOLIDATED SHARE CERTIFICATE POSITION RISK:

None.

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:

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.

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.

(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):

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

Consolidated Liquidity Coverage Ratio:

		Unweighted Amounts (*)		Weighted Amounts (*)	
31 December 2019		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	**High Quality Liquid Assets**			**2.959.863**	**2.073.299**
CASH OUTFLOWS					
2	**Retail and Small Business Customers Deposits**	**7.535.330**	**4.496.728**	**712.697**	**449.673**
3	Stable deposits	816.734	-	40.837	-
4	Less stable deposits	6.718.596	4.496.728	671.860	449.673
5	**Unsecured Funding other than Retail and Small Business Customers Deposits**	**3.723.531**	**3.026.723**	**1.912.957**	**1.524.195**
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
9	**Secured funding**	-	-	-	-
10	**Other Cash Outflows**	**208.906**	**211.680**	**208.906**	**211.680**
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	-	-	-	-
14	**Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments**	-	-	-	-
15	**Other irrevocable or conditionally revocable commitments**	**3.141.140**	**2.427.506**	**385.804**	**277.514**
16	**TOTAL CASH OUTFLOWS**			**3.220.364**	**2.463.062**
CASH INFLOWS					
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
20	**TOTAL CASH INFLOWS**	**2.085.623**	**1.093.143**	**1.489.473**	**802.095**
				Upper Bound Applied Amounts	
21	**TOTAL HIGH QUALITY LIQUID ASSETS**			**2.959.863**	**2.073.299**
22	**TOTAL NET CASH OUTFLOWS**			**1.730.891**	**1.660.966**
23	**Liquidity Coverage Ratio (%)**			**171,00**	**124,82**

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

(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):

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

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

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

(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):

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

(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):

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

Breakdown of assets and liabilities according to their outstanding maturities:

31 December 2019	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unclassified (***)	Total
Assets (****)								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	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
Total Assets	**936.845**	**4.006.003**	**2.493.065**	**3.133.671**	**7.022.692**	**2.229.336**	**1.725.196**	**21.546.808**
Liabilities								
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
Total Liabilities	**592.535**	**8.765.426**	**2.673.240**	**3.325.832**	**3.104.299**	**1.007.676**	**2.077.800**	**21.546.808**
Net Liquidity Gap	**344.310**	**(4.759.423)**	**(180.175)**	**(192.161)**	**3.918.393**	**1.221.660**	**(352.604)**	**-**
Net Off-balance sheet position	**-**	**379.336**	**168.200**	**61.985**	**489.380**	**541**	**-**	**1.099.442**
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)
Non-cash Loans	**-**	**2.457.879**	**246.823**	**566.093**	**204.173**	**4.279**	**-**	**3.479.247**
31 December 2018								
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
Net Liquidity Gap	**393.116**	**(2.485.689)**	**(955.690)**	**534.998**	**2.409.044**	**1.194.068**	**(1.089.847)**	**-**
Net Off-balance sheet position	**-**	**94.126**	**116.984**	**591.289**	**79.093**	**876**	**-**	**882.368**
Financial Derivative Assets	-	3.596.179	2.493.071	1.280.046	1.461.713	1.495	-	8.832.504
Financial Derivative Liabilities	-	(3.502.053)	(2.376.087)	(688.757)	(1.382.620)	(619)	-	(7.950.136)
Non-cash Loans	**-**	**1.465.856**	**168.600**	**565.789**	**119.656**	**66**	**-**	**2.319.967**

(*) 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.

(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):

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

Breakdown of financial liabilities according to their remaining contractual maturities:

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

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

Derivative instruments of group, counter-based maturity analysis:

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

(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):

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

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

(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):

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:

	31 December 2019 (*)	31 December 2018 (*)
Balance sheet assets		
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
Derivative financial assets and credit derivatives		
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
Financing transactions secured by marketable security or commodity		
Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	-	-
Risk amount arising from intermediary transactions	-	-
Total risk amount of financing transactions secured by marketable security or commodity	-	-
Off-balance sheet transactions		
Gross notional amount of off-balance sheet transactions	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
Capital and total risk		
Core Capital	1.967.889	1.894.917
Total risk amount	26.410.902	27.726.690
Leverage ratio		
Leverage ratio	7,46%	6,86%

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

(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):

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.

(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):

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**
Financial Assets	**17.643.233**	**18.066.572**	**19.248.196**	**18.330.873**
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
Financial Liabilities	**19.052.597**	**19.331.274**	**18.879.012**	**19.571.155**
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.

(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):

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

b. Fair value hierarchy:

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

Aforesaid fair value hierarchy is determined as follows.

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

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

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

(*) 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.

(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):

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

b. Fair value hierarchy (Continued):

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

(*) 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.

(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):

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.

31 December 2019	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury**	**Other and Unclassified (*)**	**Total Operations of the Bank**
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
Operating Income	**147.321**	**556.286**	**46.354**	**191.642**	**941.603**
Operating Costs (-)	**108.971**	**376.827**	**36.902**	**247.424**	**770.124**
Net Operating Income	**38.350**	**179.459**	**9.452**	**(55.782)**	**171.479**
Dividend Income	-	-	-	2.769	2.769
Income/Loss from subsidiaries based on equity method	-	-	-	-	-
Profit Before Tax	**38.350**	**179.459**	**9.452**	**(53.013)**	**174.248**
Tax Provisions (-)	(8.437)	(39.481)	(2.079)	14.303	(35.694)
Net Profit/(Loss)	**29.913**	**139.978**	**7.373**	**(38.710)**	**138.554**
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
Total Assets	**1.531.640**	**12.784.757**	**3.259.495**	**3.970.916**	**21.546.808**
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
Total Liabilities	**7.900.248**	**3.248.989**	**4.793.910**	**5.603.661**	**21.546.808**

(*) 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.

(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):

XIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued):

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

(*) Other operations include 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.

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

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	-	-	-	-
Total	**172.637**	**1.990.025**	**1.373.278**	**1.373.138**

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
Total	**156.249**	**1.864.017**	**1.359.170**	**1.302.967**

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 "Communique 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%).

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

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	-	-	-	-
Total	**541.238**	**33.467**	**3.267**	**193.341**

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	-	-
Total	**29.016**	**188.788**	**-**	**-**

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

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

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:

	31 December 2019	**31 December 2018**
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
Total	**336.325**	**393.149**

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

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	-
Total	**4.227**	**35.560**	**3.680**	**149.865**

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

i.

		Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
Cash Loans	Standard Loans (**)		Loans and Receivables with Revised Contract Terms	Re-finance
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	-
Total	**12.210.793**	**1.905.118**	**1.498.408**	-

(*) 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
General Provisions (*)	**64.922**	**520.553**
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.

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:

		Loans Under Close Monitoring	
	Standard Loans	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
TOTAL	**12.210.793**	**1.905.118**	**1.498.408**

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

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

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

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

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

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

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

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

	31 December 2019	31 December 2018
Public	-	-
Private	15.614.319	16.614.172
Total	**15.614.319**	**16.614.172**

(*) 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	-
Total	**15.614.319**	**16.614.172**

(*) It includes the "Receivables from Leasing Transactions".

8. Loans given to investments in associates and subsidiaries:

None (31 December 2018: None).

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

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

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

9. Specific provisions provided against loans (*):

	31 December 2019	31 December 2018
Loans with Limited Collectability	49.369	33.993
Loans with Doubtful Collectability	115.215	74.784
Uncollectible Loans	162.331	152.674
Total	**326.915**	**261.451**

(*) 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:

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

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

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

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

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period End Balance	**189.842**	**373.880**	**307.276**
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	-	-	-
Balance at the End of the Period	**201.830**	**334.836**	**656.106**
Specific Provision (-)	**49.369**	**115.215**	**162.331**
Net Balance on Balance Sheet	**152.461**	**219.621**	**493.775**

(*)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(*):

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

(*) It includes the "Receivables from Leasing Transactions".

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

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

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

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

	III. Group	IV. Group	V. Group
31 December 2019	**Loans with limited collectability**	**Loans with doubtful collectability**	**Uncollectible loans**
Current Period (Net)	**152.461**	**219.621**	**493.775**
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
Prior Period (Net)	**155.849**	**299.096**	**154.602**
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.

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%.

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

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:

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

g. Information on financial assets measured at amortized cost:

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

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Similar Securities	-	247.227	-	222.667
Other	-	-	-	-
Total	**-**	**247.227**	**-**	**222.667**

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:

	31 December 2019	31 December 2018
Government Bond	262.923	236.801
Treasury Bond	-	-
Other Public Debt Securities	-	-
Total	**262.923**	**236.801**

4. Information on financial assets measured at amortized cost:

	31 December 2019	31 December 2018
Debt securities	262.923	236.801
Publicly-traded	262.923	236.801
Not publicly-traded	-	-
Provision for impairment (-)	-	-
Total	**262.923**	**236.801**

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

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 (-)	-	-
Period end balance	**262.923**	**236.801**

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
	Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary:	Istanbul/Turkey	100,00	-
2	- Burgan Wealth Limited Dubai (*)	Dubai/ UAE	100,00	-

(*) The Board of Directors of Burgan Wealth Limited, the consolidated subsidiary of Burgan Yatırım, has applied to the Dubai Financial Services Institution (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.

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

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
1	3.243.350	376.287	155.400	287.250	-	39.384	35.860	-
2 (*)	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
Balance at the beginning of the Period	**381.091**	**256.972**
Movements during the Period	**142.637**	**124.119**
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	-	-
Balance at the end of the Period	**523.728**	**381.091**
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	**99,99%**	**99,99%**

(*) Includes the data before consolidation procedures.

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

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

(*) Includes data given prior to consolidation applications.

8. Subsidiaries quoted on stock exchange:

None (31 December 2018: None).

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

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
Total	**3.578.939**	**2.943.131**	**3.383.790**	**2.799.060**

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	-	-	-	-
Total	**123.155**	**73.996**	**197.765**	**283.466**

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	-	-	-	-
Total	**432.335**	**4.787**	**636.228**	**28.740**

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

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

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

m. Information on tangible assets:

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2018				
Cost	27.672	2.824	89.794	120.290
Accumulated depreciation (-)	3.922	588	52.043	56.553
Net book value	**23.750**	**2.236**	**37.751**	**63.737**
31 December 2019				
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
Closing Net Book Value at Period End	**27.211**	**149.550**	**145.681**	**322.442**

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

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

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
Net Book Value	**38.824**	**45.003**

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

	31 December 2019	31 December 2018
Beginning of the Period	**45.003**	**47.308**
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	-	-
End of the Period	**38.824**	**45.003**

o. Information on investment properties:

None (31 December 2018: None).

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (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
Deferred Tax Assets	**756.738**	**879.722**	**158.801**	**193.273**
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
Deferred Tax Liabilities	**422.515**	**813.636**	**92.957**	**176.516**
Deferred Tax Assets/(Liabilities) (Net)	**334.223**	**66.086**	**65.844**	**16.757**

The deferred tax asset/liability summary is as follows:

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

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (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.

	31 December 2019	31 December 2018
Prior Period		
Cost	113.895	45.662
Accumulated Depreciation (-)	510	567
Net Book Value	**113.385**	**45.095**
Current Period		
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
Closing Net Book Value	**409.415**	**113.385**

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.

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

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

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES:

a. Information on deposits:

1. Information on maturity structure of deposits:

i. 31 December 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	-	-	-	-	-	-	-	-	-
Total	**590.940**	-	**1.418.538**	**8.675.106**	**176.547**	**200.281**	**344.413**	**40**	**11.405.865**

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	-	-	-	-	-	-	-	-	-
Total	**298.662**	-	**1.040.368**	**6.462.634**	**1.328.475**	**250.314**	**534.847**	-	**9.915.300**

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

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

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

2. Information on saving deposits insurance:

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

	Under the guarantee of deposit insurance		**Exceeding limit of the deposit insurance**	
Saving Deposits	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
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	-	-	-	-
Total	**1.890.644**	**1.253.142**	**5.809.011**	**5.818.649**

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	-	-
Total	**10.890**	**9.119**

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

None (31 December 2018: None).

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

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

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
Total	**228.779**	**4.821.351**	**128.809**	**6.731.798**

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
Total	**228.779**	**4.821.351**	**128.809**	**6.731.798**

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.

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

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

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	-	-
Total	**147.646**	**118.968**	-	-

g. Information on derivative financial liabilities:

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

	31 December 2019		31 December 2018	
Trading Derivative Financial Liabilities	**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	-	-	-	-
Total	**54.032**	**92.549**	**196.855**	**92.070**

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	-	-	-	-
Total	**66.656**	**11.257**	**59.902**	**10.371**

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

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

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:

	31 December 2019	**31 December 2018**
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:

	31 December 2019	**31 December 2018**
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
Total	**19.641**	**14.517**

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).

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

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

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:

	31 December 2019	31 December 2018
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
Total	**36.558**	**25.832**

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

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

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
Total	**3.756**	**3.738**

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).

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

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

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	-	-	-	-
Total	**-**	**1.797.925**	**-**	**1.599.472**

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

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

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

l. Information on shareholders' equity:

1. Presentation of paid-in capital:

	31 December 2019	31 December 2018
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:

Capital System	Paid-in Capital	Ceiling
Registered Capital	1.535.000	4.000.000

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

   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 indicatiors of income, profitability and liquidity of the Parent Bank and its Subsidiaries and the uncertainities 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.

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

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

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

l. 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	-	-	-	-
Total	**5.674**	**(2.321)**	**(8.303)**	**(8.999)**

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.

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

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

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

a. Information on off-balance sheet commitments:

1. The amount and type of irrevocable commitments:

	31 December 2019	31 December 2018
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	-
Total	**348.976**	**709.061**

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

There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments".

i. Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letters of credit:

	31 December 2019	31 December 2018
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
Total	**3.479.247**	**2.319.967**

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

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
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
Total	**754.905**	**1.045.827**	**596.675**	**1.089.509**

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

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

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

a. Information on off balance sheet commitments (Continued):

3. i. Total amount of non-cash loans:

	31 December 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
Total	**3.479.247**	**2.319.967**

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

	31 December 2019				31 December 2018			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	**5.615**	**0,74**	**54.454**	**2,00**	**2.816**	**0,47**	**5.547**	**0,32**
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
Manufacturing	**201.774**	**26,73**	**1.735.867**	**63,72**	**136.589**	**22,88**	**789.236**	**45,81**
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
Construction	**135.029**	**17,89**	**424.250**	**15,57**	**114.034**	**19,10**	**466.943**	**27,10**
Services	**368.870**	**48,86**	**468.787**	**17,21**	**297.399**	**49,81**	**422.773**	**24,54**
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	-	-
Other	**43.617**	**5,78**	**40.984**	**1,50**	**46.248**	**7,75**	**38.382**	**2,23**
Total	**754.905**	**100**	**2.724.342**	**100**	**597.086**	**100,00**	**1.722.881**	**100,00**

iii. Information on non-cash loans classified in 1st and 2nd group:

	Group I		Group II	
Current Period (*)	**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	-	-
Total	**728.433**	**2.490.890**	**12.733**	**227.439**

(*) 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.

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

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

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

b. Information on derivative financial instruments:

	31 December 2019	31 December 2018
Types of Trading Transactions		
Foreign currency related derivative transactions (I)	**13.841.701**	**19.232.344**
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
Interest related derivative transactions (II)	**7.185.168**	**8.973.928**
Forward rate agreements	-	-
Interest rate swaps	7.185.168	8.973.928
Interest rate options	-	-
Interest rate futures	-	-
Other trading derivative transactions (III)	-	-
A. Total trading derivative transactions (I+II+III)	**21.026.869**	**28.206.272**
Types of hedging transactions	**5.787.046**	**6.729.625**
Fair value hedges	-	-
Cash flow hedges	5.787.046	6.729.625
Foreign currency investment hedges	-	-
B. Total hedging related derivatives	**5.787.046**	**6.729.625**
Total derivative transactions (A+B)	**26.813.915**	**34.935.897**

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)

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

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

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

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT:

a. Information on interest income:

1. Information on interest income on loans :

	31 December 2019		31 December 2018	
Interest Income on Loans (*)	**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	-	-	-	-
Total	**912.985**	**600.853**	**1.087.668**	**565.777**

(*) 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	-	-	-	-
Total	**45.319**	**8.365**	**72.701**	**5.833**

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
Total	**36.241**	**19.890**	**30.294**	**18.000**

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

None (31 December 2018: None).

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

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

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

b. Information on interest expense:

1. Information on interest expense on borrowings:

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

(*) 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:

		Time Deposit							
Current Period	**Demand Deposit**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**Over 1 Year**	**Accum. Deposit**	**Total**	**Prior Period Total**
TL									
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	-	-	-	-	-	-	-	-	-
Total	-	**84.690**	**463.244**	**43.145**	**32.535**	**89.800**	-	**713.414**	**737.522**
FC									
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	-	-	-	-	-	-	-	-	-
Total	-	**15.817**	**132.109**	**11.059**	**2.707**	**10.977**	-	**172.669**	**260.725**
Grand Total	-	**100.507**	**595.353**	**54.204**	**35.242**	**100.777**	-	**886.083**	**998.247**

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

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

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	-	-
Total	**2.769**	**700**

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

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

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
Expected Credit Loss	**305.589**	**259.205**
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
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	-	-
Investments in Associates, Subsidiaries and Joint Ventures Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	**2.067**	**356**
Total	**307.656**	**259.561**

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

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

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

g. Information related to other operating expenses:

	31 December 2019	31 December 2018
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
Total	**249.925**	**209.856**

(*) 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).

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.

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

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

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

l. 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.

	31 December 2019	31 December 2018
Other Interest Income		
Interest income related to derivative transactions	334.117	397.011
Other	66.486	47.309
Total	**400.603**	**444.320**

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.

	31 December 2019	31 December 2018
Other Interest Expense		
Interest expense related to derivative transactions	241.304	357.984
Other	49.483	52.364
Total	**290.787**	**410.348**

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.

	31 December 2019	31 December 2018
Other Fees and Commissions Received		
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
Total	**23.582**	**26.801**

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (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.

	31 December 2019	31 December 2018
Other Fees and Commissions Given		
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
Total	**17.332**	**17.710**

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

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	-	-	-	-
Total	**5.674**	**(2.321)**	**(8.303)**	**(8.999)**

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".

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

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

VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

a. Information on cash and cash equivalent assets:

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash, foreign currency, cash in transit and purchased bank cheques together with demand deposits at banks including the CBRT are defined as "Cash"; interbank money market and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

1. Cash and cash equivalents at the beginning of period:

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

The total amount from the operations that occurred in the prior period is the total cash and cash equivalents amount at the beginning of the current period.

2. Cash and cash equivalents at the end of the period:

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

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).

(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

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 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	
Loans and Other Receivables	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**
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	-
Interest and Commission Income Received	**-**	**-**	**7**	**8**	**21**	**1**

31 December 2018 Groups' Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Loans and Other Receivables	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**
Balance at the Beginning of the Period	-	12.963	-	-	27	15.429
Balance at the End of the Period	-	10.792	-	149.865	166	87
Interest and Commission Income Received	**-**	**-**	**-**	**-**	**23**	**-**

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	
Deposit	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the Period	-	-	11.951	6.357	12.172	24.791
End of the Period	-	-	147.223	11.951	15.264	12.172
Interest Expense on Deposits	**-**	**-**	**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	
Repurchase Transactions	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Interest Expense on Repurchase Transactions	-	-	-	-	-	-

(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 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	
Fair value through other comprehensive income transactions	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	**3.351**	-	-	-
Transactions for hedging purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

b. With respect to the Group's risk group:

1. The relations with entities that are included in the Group's risk group and controlled by the Group 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.

2. 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:

	Total Risk Group	**Share in Financial Statements (%)**
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.

(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, heath 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.

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.

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