Burgan stands by you

2018 ANNUAL REPORT

BURGAN BANK

Contents

Contact Information and Declaration

Reporting Period	1 January 2018 – 31 December 2018
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
Section Three FINANCIAL INFORMATION AND RISK MANAGEMENT
Section Four CONSOLIDATED FINANCIAL INFORMATION AND CONSOLIDATED SUBSIDIARIES

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.

28 February 2019

Faisal M.A. AL RADWAN
Chairman of the Board of Directors

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

Tuba Onay ERGELEN
Acting Finance Group Head

Ahmet CIĞA
Head of Accounting, Tax and Reporting Unit

Halil CANTEKİN
Head of the Audit Committee

Adrian Alejandro GOSTUSKI
Member of the Audit Committee

Osama T. AL GHOUSSEIN
Member of the Audit Committee

section one

General Information

Corporate Profile

The main focus of Burgan Bank is customer satisfaction. The Bank's strategy prescribes profitable and healthy growth.

Burgan Bank offers services out of 41 branches in 16 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 cross-selling platforms 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 2018, Burgan Bank had TL 19,581,399 thousand in total assets, TL 14,085,758 thousand in loans and TL 10,060,455 thousand in deposits. The Bank's stand-alone and consolidated capital adequacy ratios stood at 20.74% and 18.49% respectively at the end of the year.

16 cities

Burgan Bank offers services in 16 cities in Turkey.

41 branches

Burgan Bank had 41 branches in total at the end of 2018.

Vision, Mission, Goals and Corporate Values

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.

KIPCO Group

Burgan Bank K.P.S.C. is a subsidiary of KIPCO Group (Kuwait Projects Company).

MENA REGION

Burgan Bank Group is a leading banking group in the MENA region.

5 countries

Burgan Bank Group offers services in 5 countries.

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 2018

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.

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 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.

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 2018(*)	31 December 2017(*)	%
Total Assets	19,581,399	16,807,309	16.5
Loans and Factoring Receivables (Net)	14,085,758	13,262,537	6.2
Marketable Securities (Net)	633,099	424,026	49.3
Deposits	10,060,455	8,928,115	12.7
Funds Borrowed and Money Market Borrowings	6,084,567	5,558,646	9.5
Shareholders' Equity	1,875,980	1,512,475	24.0
Guarantees and Warranties	2,319,967	2,118,649	9.5
Capital Adequacy Ratio (%)	20.74	19.60	5.8

	(1 January 2018- 31 December 2018)	(1 January 2017- 31 December 2017)	%
Net Profit/(Loss) for the Period	161,759	109,848	47.3

(*) In TL thousand based on unconsolidated financial statements

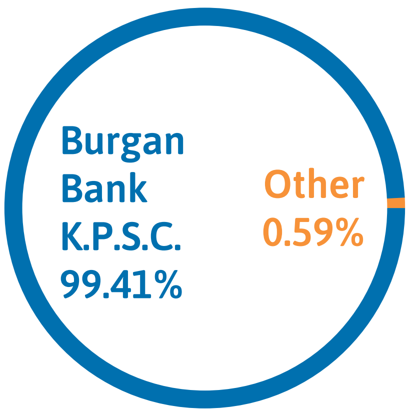
The Bank's Shareholding Structure, Changes in the Capital and Shareholding Structure During the Reporting Period, Titles and Stakeholding of Real Persons or Legal Entities with Qualified Shares

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 2018.

At the Bank's Board of Directors meeting of 30 May 2018, it was decided to increase the capital in the amount of TL 1,185,295,806.45 by TL 349,704,193.55 to TL full 1,535,000,000. The controlling shareholder's capital subscription amount of TL full 347,647,411.43 has been collected in cash, and the said amount was transferred to the capital account on 13 June 2018 upon the BRSA's permission. The process of exercising preemptive rights has been completed and the Bank's capital was registered as TL full 1,535,000,000 on 08 August 2018.

The Bank's shareholding structure as of 31 December 2018 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.

Information on the Bank's Shares (If Any) Held by the Chairman and Members of the Board of Directors, CEO and Executive Vice Presidents

Neither the chairman, members of the board of directors, the CEO nor the executive vice presidents have any shares in the Bank.

Chairman's Assessment of the Fiscal Year and Future Outlook

standing by the real sector

Burgan Bank continued to pursue its service mission of standing by the real sector and adhering to prudent and discriminating risk policies in the conduct of its lending activities.

Although growth in the USA and EU remained on course throughout the year, risks with the potential to damage the global economy proliferated especially in the second half of the year.

While global economic growth in 2018 was on the order of 3.7%, there was also an increase in risks capable of adversely affecting global stability.

Although growth in the USA and EU remained on course throughout the year, risks with the potential to damage the global economy proliferated especially in the second half of the year.

Geopolitical developments in the Middle East, uncertainties in the "Brexit" process, tensions in international trade, impaired outlooks and depreciating local currencies in some emerging markets, and higher borrowing costs arising from tighter monetary and fiscal policies were the most salient risks confronting global markets.

The existence of such risks suggests that growth may lose some momentum in 2019 and that local volatilities may be experienced from time to time.

Financial conditions continued to grow tighter in 2018.

Continuing the process of shrinking its balance sheet, the US Federal Reserve Bank raised its lending rate by 25 basis points into the 2.25-2.50% range as expected at its last meeting in 2018. The decision to do so was passed unanimously by the bank's governors. Meanwhile the Federal Open Markets Committee carried out its fourth interest rate hike in 2018,thereby pushing interest rates to their highest levels in ten years.

Adopting a moderate approach, the Fed lowered the anticipated number of interest rate hikes in 2019 from three to two and also confirmed its expectations that economic activity would continue to recover strongly.

The IMF for its part says that the global economy will suffer a slight loss of momentum and grow by 3.7% in 2019. This projection was 0.2 percentage points below a previous one that the fund made at the beginning of 2018. The IMF foresees the possibility of US economic growth being stymied by trade wars, of persistent weaknesses in the Chinese economy, and of a modest decline in euro area growth rates with the ending of European Central Bank monetary support.

According to figures published by the Institute of International Finance, portfolio investments directed towards developing countries were slightly lower in 2018 than they were in 2017. Despite this however, the prevailing belief is that there will be no serious impairment in markets' perceptions of developing country risk.

The Turkish economy had to contend with a heavily-fraught agenda in 2018.

In the first two quarters of 2018 the Turkish economy registered strong growth rates of 7.2% and 5.3% respectively. This was a fine performance that continued to set the country apart from other developing countries. In the second half-year however the outlook appeared to shift rapidly and become less favorable.

Events taking place in global markets in August led to serious losses in some emerging markets, Turkey being among them. Such losses exerted pressure on companies' balance sheets while tighter financial conditions and higher financing costs tended to suppress economic activity.

In the third quarter of the year the Turkish economy lost momentum and managed to grow by a mere 1.6%. During the same quarter however, a sustained and successful rise in the country's export performance contributed significantly to efforts to stabilize the economy. Relative improvements in Turkey's international relations combined with a rapid decline in oil prices were two developments that helped support TL asset prices and push them up.

Chairman's Assessment of the Fiscal Year and Future Outlook

Stabilize, Discipline, and Change

In September the government announced a new economic program which it dubbed "Dengelenme, Disiplin ve Değişim" ("Stabilize, Discipline, and Change") and which set out macroeconomic targets and policies for the years 2019-2021. It followed this up with its "Enflasyonla Topyekün Mücadele" ("Whip Inflation Now") program, which calls for companies to voluntarily take part in efforts to combat inflation. Measures that were taken and proactive policies that were adopted helped stabilize exchange rates and bring about a modest decline in interest rates in the last quarter of 2018.

Partly with the support of a reductions in the provisional tax rate, there was a modest recovery in domestic demand and the Turkish lira even appreciated somewhat during the year's last two months.

It is thought that the policies that developed countries' central banks adhere to and the general conditions that prevail in global liquidity will be important issues for Turkey and other developing countries.

It can be expected that there will be a gradual tightening of global liquidity in the period ahead. Assuming that developed countries' central banks will act largely in line with expectations however, it seems unlikely that there will be any great outflows of "hot money" from emerging markets.

Growth in the Turkish banking industry slowed in parallel with the downturn in economic activity.

An unmistakable decline in domestic demand, a contraction in the demand for credit, and higher interest rates all helped constrain our sector's growth performance in 2018.

In August and September, the Turkish lira suffered from a rapid loss in value and it was this process that was the chief determinant of the banking industry's fundamental dimensions last year. Although the twelve-month increase in the volume of credit as of November 2018 was on the order of 13%, when the effects of exchange rate losses are taken into account, the real rate of credit growth was less than 5%. With deposits continuing to be the main source of our sector's funding, there was an overall decline in banks' borrowings from abroad that reflected the weak demand for credit. There was also a slight impairment in banks' asset quality attributable to the loss of momentum in economic activity.

Taking a risk-sensitive and discriminating approach in the conduct of its business, Burgan Bank expanded its loan book in 2018 and continued to grow soundly in line with its corporate strategy.

In 2018 Burgan Bank's consolidated net profit for the period increased by 47% year-on and amounted to TL 162 million.

Our bank's total assets grew by 17.5% on a consolidated basis and reached TL 22 billion in value while our lending grew by 13% and amounted to TL 17 billion.

Burgan Bank's financial and operational performance in 2018 surpassed sectoral averages. That is a consequence of our bank's successful blend of strong foresight capabilities on the part of our management team, our correctly formulated strategies, our unstinting shareholder support, our highly loyal team, and the sincere trust that our valued customers have in the Burgan Bank name.

Even under the occasionally difficult conditions that prevailed in 2018, Burgan Bank continued to pursue its service mission of standing by the real sector and adhering to prudent and discriminating risk policies in the conduct of its lending activities.

Our bank's total assets grew by 17.5% on a consolidated basis and reached TL 22 billion in value while our lending grew by 13% and amounted to TL 17 billion.

We have developed a synergistic collaboration with a strong and deep-rooted international correspondent network that enables us to stand by exporters whose contributions to the Turkish economy we believe to be of great importance while also supporting our retail customers with innovative products and services that address their needs no matter what they may be.

In short, our bank continued to stand resolutely by its customers in the processes of planning and constructing their financial futures on the one hand while also expanding its transaction volumes, assets under management, and customer base in all of its business lines on the other.

Another success story that was written in 2018 was that of Burgan Leasing, which continued to maintain its now customary, above-sectoral-average rapid growth by increasing its total assets by 34% and its active financial leasing receivables by 33%.

Difficulties lie ahead but so too do growth opportunities.

We believe that 2019 and the immediately ensuing period may be an occasionally difficult and volatile time for both the global and Turkish economies. We also foresee that the pressure on the banking industry's profitability and growth will continue in the year ahead and that overall growth will therefore be moderate at best.

We regard our investment in Turkey with confidence and within the framework of a long-term perspective. We are pleased with the experience that we have gained in the Turkish market and with the group-wise synergies that we have created. We see Turkey and its immediate region as a market that will grow in the long term.

Our bank is a member of the Burgan Bank Group, a corporate group that is strongly positioned in the Middle East and North Africa, and with the strong shareholder support of that group it will continue to make progress.

Burgan Bank will also continue to manage the difficulties of the period ahead and to transform opportunities into performance as a commercial bank whose structure is properly scaled, which has identified the segments it is to be involved in, which has clarified its medium and long-term strategies, and whose product and service lineup is robust.

Burgan Bank and its subsidiaries are solidly positioned as they embark on 2019.

It gives me pleasure to say that our shareholder was pleased with the target-compatible performance that the entire Burgan Bank family achieved despite the relatively harsh business climate that prevailed in 2018.

In 2019, a superior-quality and healthy balance sheet will remain an indispensable cornerstone of our efforts and we will continue to benefit from the leveraging effects of our equity resources through an approach that is both correct and cautious about risk.

Personally and on behalf of our Board of Directors I therefore take this opportunity to present my respects to our employees, customers, international correspondents, and other stakeholders while also thanking them all for their confidence in the Burgan brand.

Very truly yours,

Faisal M.A. Al Radwan
Chairman of the Board of Directors

General Manager's Assessment of the Fiscal Year and Future Outlook

a successful year

In 2018, Burgan Bank optimally utilized its scale and all its resources, and undersigned a successful balance sheet performance.

Our Bank uninterruptedly carried on with its multifaceted contribution to the Turkish economy, commercial life and construction of individuals' future through its products and services in line with its strategic growth targets, and created value for its stakeholders.

Amid the volatile and -at times- rough environment of 2018...

The growth outlook displayed by developed and emerging countries in 2018 signaled a new form of decoupling in global economy. This was driven mainly by the tightened fiscal conditions led by central banks all around the world, increased cost of capital, and deteriorated inflation outlook.

According to the estimations of the IMF, the world economy grew by 3.7% in 2018. Despite this positive performance, political and commercial tensions in the global arena affected the markets through different channels, and led to fluctuations, although they may be short-lived.

Our country was closely concerned with the events that took place in our surrounding geography, as well as on the global arena in 2018. In this process, the performance of the Turkish economy varied from one quarter to the other. In the period that followed, the recovery in the value of the Turkish currency and the downtrend in interest rates supported the somewhat slight revival of domestic demand.

In September, the Turkish economy embarked upon a stabilization period backed by the New Economic Program announced by the authority, and by the Central Bank of the Republic of Turkey.

In this period, the coherence and sacrifice exhibited by all economic actors including our sector, as well as the determined and proactive approach of the government and the regulatory authority played an important role in quickly harnessing the volatility.

... Burgan Bank produced a sustainable, profitable and strong performance.

In 2018, Burgan Bank optimally utilized its scale and all its resources, and undersigned a successful balance sheet performance.

In this process, our Bank uninterruptedly carried on with its multifaceted contribution to the Turkish economy, commercial life and construction of individuals' future through its products and services in line with its strategic growth targets, and created value for its stakeholders.

In 2018, during which we achieved solid results both operationally and financially, our Bank's total assets increased by 16.5% to TL 19.6 billion on a stand-alone basis, and by 17.5% to TL 22.0 billion on a consolidated basis.

Cash loans that represent the most tangible expression of our support to our customers got 72% share out of our consolidated balance sheet.

Our lending grew by 13% in 2018 as we managed the credit risk with a meticulous approach and maintained the strong level of our collateralization. Cash loans extended to clients amounted to TL 14.7 billion on a stand-alone basis, and to TL 17.5 billion on a consolidated basis.

Our income/expense ratio was down from 60% in 2017 to 46.3% in 2018. In the presence of extraordinary market conditions, our expenses went up by just 13%, which contributed significantly to our consolidated profitability.

During 2018, our total revenues expanded by 45%, which was driven mainly by the improvement we secured in net interest income and the strong rise in non-interest income.

In the reporting period, our Bank booked TL 161.8 million in net profit, which was 47.3% higher than it was in 2017.

Our subsidiaries also achieved healthy growth as at the end of 2018 and sustained their contribution to our results. Burgan Leasing attained its budget targets in terms of total business volume, leasing receivables and net profit, and remained as one of the leading actors in the sector.

General Manager's Assessment of the Fiscal Year and Future Outlook

Offering services in the area of capital markets, Burgan Securities strictly adhered to its approach focused on risk management while carrying out its activities, and provided high-quality capital markets services based on objective information to our clients throughout the year.

Having contributed solidly to our goal of constantly improving the shareholder value, our 2018 performance provides us with more than the leverage we will need for our future growth.

Our volatility-resistant strategy focused on capitalizing on business opportunities supports our growth.

Our 2018 performance powerfully verified the accuracy of Burgan Bank's strategy once again.

Our flexible and agile structure that is resistant to volatilities and focused on capitalizing on business opportunities presented by markets allows us to be affected by such periods minimally. Burgan Bank has exhibited its ability to easily adjust to the changes in market conditions with its financial structure ratios above the sector and peer group averages, and its capital adequacy ratio.

Our financial strength coupled with our smartly designed capital base grants us adequate space allowing us to extend all kinds of support to our customers.

Irrespective of the specific business line with which we have a service relationship, it is our top priority to develop long-lived business partnerships erected upon solid foundations with our customers.

This approach supports a customer relationship that is focused on mutual benefits and productivity, while making it possible to establish strong and sustainable collateralization structures when making funds available. The robust collateralization and business volumes built with a long-term perspective turn into advantage at times of market fluctuations, and enable Burgan Bank to stand firm by its customers also through tough times.

I am happy to state that, amid the specific market conditions of 2018, our NPL ratio remained below the average of foreign deposit banks operating in the sector, and our solid capital structure and uninterrupted shareholder support let us balance all ratios at solid levels, which represent our financial soundness.

The steps we take in relation to our organizational structure add momentum to our success.

Burgan Bank carried out important activities in 2018 with a view to building on the value proposal offered to customers and to increasing productivity.

In this context, our retail banking business line was restructured. In order to boost the mutual benefits we produce, further strengthen our deposits base with a focus on long-term customer relationships, and diversify the retail products and service range we present to our customers, the business line was vested in a new structure formatted around retail banking and wealth management axes. The positive reflection of this new structure already began to be witnessed both on customer efficiency and business volume fronts.

One of our goals in the period ahead is defined as introducing novelties in cooperation with our subsidiary Burgan Securities, which is an active and successful player in the capital markets, thereby increasing the product diversity we offer to our customers in wealth management.

The importance of being a bank delivering services to customers through the right channel

One other fundamental approach embedded in our growth strategy we have been implementing for five years at Burgan Bank is to deliver the services to customers through the right channels.

We are determined to carry the growth story of Burgan brand in the Turkish market to the future with the support of all our stakeholders, and particularly of our customers, employees and our shareholder.

Enabling us to manage efficiency, productivity, customer satisfaction and our deposit base at the right points, this approach came to life in 2018 as we merged our digital banking and information technology activities under a single roof.

Our digital banking business line, which aims to offer service in mass banking, intensified its efforts with the mission of building the digital bank of the future, taking our customers' needs into consideration.

Our first move in this area has been the loan product we have made available through the digital channel, which lets the individuals apply to our Bank without making a trip to the branch. Then, the product range was broadened with the addition of the insurance product. We are determined to diversify the solutions we offer through our digital channel in 2019.

All these novelties we have introduced served to quickly grow our customer base that makes use of banking services through digital media. By the end of 2018, we have witnessed 40% rise in the number of transactions Burgan Bank customers perform through digital and mobile channels.

As we target to launch our digital channel under a dedicated brand in the period ahead, we regard it as an area that will further enhance our operational efficiency, agility and competitive strength, and we are determined to carry on with our investments in this department in various aspects.

Our shareholder has endorsed its strong confidence in the Turkish market by unfalteringly fulfilling the capital contribution necessary for our growth also in 2018.

Our shareholder Burgan Bank once again endorsed its confidence in the Turkish market by contributing TL 348 million in cash to the capital of our Bank in 2018. This new capital increase is directed at supporting the targeted growth of our Bank.

Each capital increase realized brings us one step closer to the scale we aim at and accelerates our growth.

The importance of our people...

During 2018, 263 people joined our family, including our subsidiaries. Our goal is to transform Burgan Bank into an organization that employees are proud to be a part of, to be a preferred workplace, and to be a business that shares its success with its employees.

Ensuring the sustainability of our preferred employer identity is critical for our institutional success and our future. Along this line, we have put into life our Employer Brand Project in October 2018 that we had launched. Encapsulated in the tagline "Burgan is With You", our employee value proposition sums up our commitment and devotion to add value to our employees under the four main headings of career, development, future and life.

We are ready for the future.

We are resolved to carry the growth story of Burgan brand in the Turkish market into the future with the support and contribution of all our stakeholders, and especially of our customers, our employees and our shareholder.

Our tangible capital, combined with our human resource, our reputation and our service platform will uplift us further in the future.

On behalf of our management team and myself, I would like to thank all our stakeholders who have contributed, directly or indirectly, to the creation of our 2018 performance.

Yours sincerely,

Murat Dinç
CEO

An Overview of 2018

Highlights...

- Burgan Bank's stand-alone asset volume grew by 16.5% YoY to TL 19,581,399 thousand by the end of 2018 while the consolidated figure increased by 17.5% to TL 22,028,865 thousand.
- The Bank's net stand-alone cash loans grew by 6.2% YoY to TL 14,085,758 thousand while the consolidated figure increased by 10% YoY. The Bank's credit balance amounted to TL 16,789,201 thousand.
- As of year-end 2018, the share of cash loans in the balance sheet was 76.2% on a consolidated basis.
- Burgan Bank manages its credit risk with a careful and prudent approach. In 2018, the Bank preserved the robust collateral structure in parallel to the growth secured in loans. According to the Bank's unconsolidated financial statements, non-performing loans accounted for 4.7% of total cash loans at the end of 2018.
- The share of the securities portfolio (net) to total assets remained low at TL 633,099 thousand on a stand-alone basis and at TL 633,180 thousand on the basis of consolidated financial statements.
- Burgan Bank continued to improve its deposit volume in 2018. The Bank's deposits increased by 12.7% YoY to TL 10,060,455 thousand on a stand-alone basis and by 11.8% YoY to TL 9,915,300 thousand on a consolidated basis. Deposits accounted for 51.4% and 45% of the balance sheet according to stand-alone and consolidated financial statements, respectively.
- The Bank's equity base remained strong in 2018, supporting the growth. The Bank increased its capital by TL 350 million in 2018. The capital adequacy ratio as at year-end stood at 20.74% on a stand-alone basis and 18.49% on a consolidated basis.
- Operating income increased by 45.5% on a consolidated and 48.0% at a bank-only level in 2018 thanks to improved net interest income and a healthy increase in non-interest income as well as continuing growth.
- In 2018, operating expenses were kept under control despite the adverse effects of inflation and devaluation, supporting Burgan Bank's sustainable profitability and growth.
- Burgan Bank booked a net profit of TL 161,759 thousand as at year-end 2018.
- The Bank ended 2018 with a total of 1,006 employees and a physical service network of 41 branches.

Strong contribution to the growth of 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 2018, 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 went up by 6.2% to reach TL 14.1 billion in 2018.

Burgan Bank's shareholders' equity preserved and further strengthened its growth-supporting level in 2018.

DEVELOPMENTS AND ACHIEVEMENTS BY BUSINESS LINES

Corporate Banking

Strong gains in corporate banking

Burgan Bank carried on with its performance in corporate banking business line in 2018, as it does every year. The loans the Bank made available to its corporate customers grew by 14% in 2018, as cash loans increased to TL 4.7 billion and non-cash loans to TL 1.1 billion.

Besides the momentum captured in credit expansion, Burgan Bank also broadened its corporate customer deposit volume, which was registered as TL 1.8 billion as at year-end.

With the support of the group synergy presented by the robust organization of the KIPCO Group in the MENA region, foreign trade volume intermediated by Corporate Banking grew by 40% reaching USD 850 million.

All-around support to corporate customers

In 2018, Burgan Bank continued to offer innovative and value-added capital market instruments to customers in the corporate banking business line. Constituting a central part of Burgan Bank's business philosophy, effective management of customers' financial risks remains crucial amid evolving market conditions. Cash management also retained its significance for corporate banking customers in 2018, hence, Burgan Bank improved its services offered on the electronic platform for this purpose and continued to market them actively. The Bank aims to sustain the volume expansion achieved in this department in 2018 also in the coming year.

The cooperation of the Corporate Banking segment with Burgan Bank's subsidiaries also grew stronger throughout 2018, and long-term transactions that contributed particularly to customers' cash flows were carried out in the financial leasing segment.

Moving forward, Burgan Bank remains committed to growing its operations in Corporate Banking. In 2019, business partnerships with Turkey's valuable companies will fortify, customers' investment projects will be supported, and intermediation for products that contribute to their financial structure will continue.

TL 350 million

The Bank's capital was increased by TL 350 million in 2018.

An Overview of 2018

COMMERCIAL BANKING

Swift and solution-oriented approach enabled by solid and efficient structure backed by well-equipped workforce

In the aftermath of the recent reorganization, Burgan Bank captured a rising performance in the business line, which the Bank accelerated by managing customers' risk profile based on an efficient and productive approach. In 2018, the Bank supported the robust and efficient structure with its well-equipped workforce built in the previous period and offered services in commercial banking with a swift and solution-oriented approach.

Burgan Bank aims to capture a large share of customers' financial transactions along the entire customer service cycle in the Commercial Banking segment, with the ultimate goal of growing together with them, and be one of their house banks. Commercial banking services provided within the scope of a customer-oriented approach envisage developing long-lived and win-win customer relationships.

The Bank's sales teams facilitate the customers' commercial activities through medium- and long-term loans, while ensuring convenience in the day-to-day businesses of the companies through cash management products.

The loans extended by Burgan Bank to commercial customers have been designed with an eye on the customers' projects, sectoral/seasonal characteristics and/or cash flow cycles.
Putting special emphasis on risk management and preserving its strong collateralization, Commercial Banking grew in parallel with the banking sector in 2018, and kept adding value to the Turkish economy with the products and services it offered.

Solutions backed by robust international relations

Burgan Bank Commercial Banking offers a broad range of products that cater to the needs of its customers, as well as an extensive correspondent network that enables easy execution of international transactions. The Group's presence particularly in the MENA region and the in-depth market knowledge coupled with its sound service network make up the other components that support the goal of being the customers' house bank.
A priority target for Burgan Bank is supporting its customers' competitive strength, and offering new opportunities to them. In brief, the Bank aims to develop multi-dimensional and mutual relations with customers.

Customer-focus through medium- and long-term lending activities

In 2018, Burgan Bank targeted to increase the share of medium- and long-term loans that allowed its customers to concentrate on their core business activities and support their permanent future success.

Within the scope of the ongoing cooperation with the Credit Guarantee Fund (KGF), Burgan Bank sought to facilitate its customers' access to financing. In addition, focus was placed on structuring the loans according to their cash flow forecasts and with the longest tenor possible.

While medium- and long-term cash loans extended by Burgan Bank in 2018 grew by 5%, the share of medium- and long-term cash loans to total commercial loans rose to 76%. The share of the Commercial Banking segment within Burgan Bank's total cash loans was 62% at year-end 2018.

Targeting to be the "customers' consultant bank" in foreign trade, Burgan Bank augmented its foreign trade transaction volume by 21% in 2018 through customer visits, transaction-specific consultancy services, operational speed and service quality.

CASH MANAGEMENT DEPARTMENT

Burgan Bank Cash Management Department intermediates companies' collection and payment processes by providing technology-focused solutions structured according to customer demands.

In the cash management business line, Burgan Bank focused on new customer acquisition as well as achieving higher penetration with existing customers by employing cross-selling synergy in 2018.

In the reporting period, the Bank kept producing fast and high quality solutions, and facilitated a fast and convenient way of payment for special consumption taxes online 24/7 by sending an email.

In 2019, Burgan Bank will continue to offer innovative products and services in a bid to establish mutually beneficial and long-term customer relationship in the area of cash management.

FOREIGN TRADE SALES DEPARTMENT

Supporting its customers with innovative foreign trade products and solutions, Burgan Bank increased its foreign trade financing volume through the CBRT rediscount loans and Eximbank loans. At the same time, the Bank continued to provide low-cost financing, catering for its customers' investment needs.

Having increased its share in Turkey's total foreign trade volume in 2018, Burgan Bank capitalized on the close cooperation with its sister financial institutions operating under the KIPCO group and the Group's strong capital structure.

62%

Commercial Banking segment got 62% share out of Burgan Bank's total cash loans as at year-end 2018.

new customers

Burgan Bank focused on new customer acquisition by employing the cross selling synergy in the cash management business line in 2018.

funding investments

The Bank kept financing the investment needs of its customers.

An Overview of 2018

WEALTH MANAGEMENT

Activities accelerated by a new structure

2018 marked the inception of change for Burgan Bank's Wealth Management business line.

In July, the Bank reorganized its Retail Banking business line as the Wealth Management Group, targeting the middle and upper segments. In this context, Burgan Bank began offering a broad product portfolio ranging from deposit and investment products to credit and insurance products to medium and upper-income group segments with a service approach aligned with its target of "being one of the first banks that come to mind".

The Wealth Management Line serves to the mission of delivering a better customer experience; the goal is to offer solutions by knowing the customers "more closely" and finding out their expectations and needs on the basis of the in-depth banking relationship developed by its expert and experienced sales force.

27% growth in total deposits

The deposit base of the Wealth Management of Burgan Bank, which is one of the priority addresses selected by customers for entrusting their savings, showed a strong growth in 2018 as it did in 2017. After expanding 16% in 2017, retail customers' total deposits increased by 27% in 2018. The share of the business line's deposits within the Bank's total deposits rose from 64% in 2017 to 73% in the reporting period.

The Güldüren Savings Account made a significant contribution to the deposit base in 2018. This saving product offering prices with attractive advantages to customers lets them use their balances freely and save in various currencies.

The Multi Currency Account was another saving product heavily preferred by Burgan Bank's customers.

For those wishing to invest in non-deposit instruments

Apart from savings products, Burgan Bank offers service to its customers preferring mutual funds in cooperation with its asset management companies.

Customers who wish to capitalize on non-deposit market opportunities in different instruments and wish to receive professional guidance when doing so are presented with numerous alternatives structured according to their risk profiles.

Wealth Management also satisfies customer needs through derivatives and capital markets product range.

In 2018, the trading volume of treasury products by Burgan Bank's customers increased by 46% year-over-year.

Plethora of choices in private pension and life insurance products

Burgan Bank contributes to its customers' goal of assuring their and their families' lives and assets with a broad range of life and non-life insurance products.

Having established a new cooperation in this area in 2018, the Bank executed an exclusivity agreement with NN Life and Pension insurance company. The integration with NN Life and Pension enabled faster and easier provision of pension and life insurance products to customers. On the other hand, Burgan Bank collaborated with five other non-life insurance companies and began offering different options including accident, liability and fire policies for non-life insurance products needs of its customers for themselves and also for their places of business.

Burgan Bank's aim is to get its customers to experience the privilege of working with Burgan Private.

Dreamland of Troy and other events

Burgan Private, the private banking service offering advantages related to life as well as to financial services to its customers, was among the sponsors of the exhibition titled Dreamland of Troy that covered the works of young artists' rendition of the worldwide famous ancient city of Troy (Troya) and that was on display between 26 September and 26 October.

The Bank sponsored a special sailing festival realized with Turkey's biggest sailing boat fleet within the scope of the Beneteau Sailing Fest organized at D-Marin Turgutreis between 27 & 29 July 2018.

Burgan Bank's similar sponsorships will continue in 2019 with a focus on arts and sports.

Burgan Bank's aim is to get its customers to experience the privilege of working with Burgan Private.

DIGITAL BANKING AND INFORMATION TECHNOLOGY

Rapid development in digital banking products

Set up at Burgan Bank in 2017, the Digital Banking Group was established to offer service in the mass banking business line.

Organized differently than the classic ones, the Group targets healthy growth on the back of a structure that takes and implements decisions rapidly as do "start-ups" so as to capture advantage in operations over its competitors. The Group carried out its activities with the mission of building the digital bank of the future, taking customers' needs into consideration.

The first implementation of the Group was the cost-free loan product offered through the digital channel, which lets individuals apply for it without a visit to the branch. In 2018, Burgan Bank added the insurance product to solutions it makes available through the digital channel. In addition, the Bank introduced the deposit product that blends its experience in private banking with the advantages of digital transformation, and targets to deliver mass banking customers a special experience.

27%

Retail customers' deposits grew by 27% in 2018.

digital

In 2018, Burgan Bank added loan and insurance products to the set of solutions offered digitally.

An Overview of 2018

All these novelties served to rapidly expand the customer portfolio utilizing banking services via digital media and to increase its share across the Bank. Additionally, nearly 40% rise was observed in the number of transactions performed through digital and mobile channels by all Burgan Bank customers.

Burgan Bank revamps its digital banking channels end-to-end.

During 2018, Burgan Bank made investments designed to revamp its Internet banking and mobile banking channels end-to-end, as well as its digital banking products.

The infrastructure was devised for brand new Internet banking and mobile banking applications in line with the brand equity and in the light of comprehensive research and analyses on user experience and user interfaces, customer behaviors in the area of digital banking, etc.

The goal of Burgan Bank is to introduce these applications in the first quarter of 2019.

Burgan Bank invests in digital transformation.

A structural change was introduced at the end of 2018 to ensure that digital transformation proceeds rapidly and optimally at Burgan Bank, and is also deployed across the Bank. In this context, the Digital Banking Group, which targets to digitize banking services and offer them to its customers in the best manner, and Burgan Bank Information Technology team merged under a unified structure. Through this merger, the Bank is focused on making a difference in the development of digital transformation-oriented IT software projects in 2019.

The main strategic goal of Burgan Bank is to define customer needs employing analytical techniques, and offer segment-specific user-friendly solutions and services that effectively use technology. With the sound foundations it has built within the scope of digital transformation, Burgan Bank is determined to be the bank of the future that provides high-quality customer experience and need-based innovative and smart solutions without compromising on transparency and integrity principles.

Our omni-channel structure is progressing rapidly

Through the technological digitalization projects realized, Burgan Bank improves its productivity, service quality, speed and customer-oriented structure.

Besides offering financial products, the Bank creates value for its customers and generates flexible solutions that will make things easier for them. With the Call Center infrastructure introduced in 2018, the Bank took steps that ensure service integrity on digital channels.

The omni-channel structure, which will evaluate customer behaviors online and will allow the Bank to offer customized offers, support and campaigns, will continue to be further improved.

Quick response to customer calls

Despite the rapidly growing number of customers, Burgan Bank continues to keep the chat and customer call response times below the sector averages at its customer care center whereby it offers 360 degrees communication activities. The Bank thus keeps satisfying its customers in this respect.

IT teams realized major projects.

In 2018, Burgan Bank IT teams brought to completion some major projects including Insurance Exclusivity, Swift Infrastructure and Message Type Changes, Revenue Administration Reporting, Personal Data Protection Law and Modernization of Credit Collection Systems.

On another front, work was concentrated on individual and commercial lending decision-making processes in order to effectively implement digital transformation across the Bank.

In 2019, Burgan Bank will focus on online fraud prevention developments based on artificial intelligence.

Burgan Bank Alternative Sales Channels targets to remain as the engine of personal loan growth also in 2019.

Focused service from alternative sales channels

Through its Alternative Sales Channels, Head Office, and experienced field team operating under the Digital Banking Group, Burgan Bank offers customer-focused service, and contributes to customer satisfaction by reaching more customers via its non-branch sales channels.

Burgan Bank's lending realized through the rapidly expanding dealer network, direct sales teams uncompromising on quality service and the extensive PTT channel continues with its healthy growth. In 2018, 55% of the Bank's total personal loans were extended via alternative sales channels.

Burgan Bank Alternative Sales Channels targets to remain as the engine of personal loan growth also in 2019.

TREASURY AND CAPITAL MARKETS

Deterioration of risk appetite in global markets

Continued normalization tendency in monetary policies of developed countries, the increase in global bond yields, and concerns of rising protectionism aggravated global policy uncertainty and led to weaker risk appetite in financial markets.

In 2018, heightened market volatility and high level of uncertainty in emerging markets resulted in net portfolio outflows, depreciation in local currencies, and rise in international borrowing costs. The appreciation of the US dollar negatively affected emerging countries, particularly the ones with high external debt.

In parallel with these developments, the Turkish lira dropped to its all-time low of 7.2360 against the US Dollar and bond yields exceeded 28%. Due to the deterioration in inflation dynamics, the Central Bank of the Republic of Turkey (CBRT) raised the average funding rate to 24% during the course of the year, corresponding to a cumulative increase of 1,125 basis points compared to the start of the year. These developments in financial markets worsened the inflation outlook, and the CPI reached 24.52%, whereas deposit and lending rates climbed to 30% and 40%, respectively, as of September 2018.

new structuring

Digital Banking group, Burgan Bank Information Technology team merged under a unified structure.

An Overview of 2018

Thanks to CBRT's rate hike and other macro prudential measures, Turkish lira appreciated somewhat against the US dollar and ended the year at around 5.30 levels. Deposit and lending rates also declined.

Emphasis on liquidity management

In view of depressed market conditions, Burgan Bank displayed a prudent attitude and focused on managing liquidity more efficiently.

Risky transactions were reduced, thus potential adverse impact on the Bank's profitability has been minimized. Burgan Bank Treasury Group continued to be a major contributor of the Bank's profitability in 2018, and increased revenues in a healthy manner.

Expanded deposits and loans

Burgan Bank achieved growth parallel to the sector's averages as its deposits grew by 12.7% to TL 10,060 million and its lending rose to TL 14,086 million in 2018.

Future outlook...

In 2019, policy stances to be adopted by the central banks of developed countries and the developments in global risk appetite will be watched closely.

The changes in interest rate policies of the FED and the ECB will potentially impact the ability of emerging markets to access global liquidity and affect borrowing costs. Other important topics to be monitored will include the geopolitical situation in the Middle East and evolution of global trade wars.

Burgan Bank will focus on meticulous risk management and continue to put effort into decreasing funding costs and reducing concentration in 2019.

Solutions aligned with customer needs

In 2018, Treasury Sales Department continued to offer solutions directed towards financial risk management and investment needs of our customers in all business lines as was done in previous years.

In a period of extremely increased volatility in financial markets and extremely rough price movements, Burgan Bank Treasury Sales team kept delivering the suitable risk management solutions to commercial and corporate clients, while satisfying the investment needs of its retail/affluent clients.

In 2019, the imminent local elections, unexpected deviations in developed market central bank monetary policies, and developments related to trade wars might have a decelerating impact on global growth. On the other hand, possible 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 deliver the most suitable financial solutions for clients, and to provide top notch and appropriate response to their pricing needs by continuously monitoring financial markets and political developments in 2019.

Amid volatile market conditions, Burgan Bank displayed a prudent attitude in liquidity management and focused on managing liquidity more efficiently than ever before.

FINANCIAL INSTITUTIONS

Initiatives reinforcing the services delivered to customers and contributing to the Bank's revenue base

Being the representative of a deep-rooted international relations tradition, Burgan Bank kept building on its relationships based on mutual cooperation with financial institutions in 2018 as well.

Despite the deterioration in the market conditions especially in the second half of the year, the Bank successfully utilised the advantages of its strong shareholder structure and continued providing trade finance related funding and offering uninterrupted service to customers.

Fresh funds worth USD 375 million

In 2018, Burgan Bank secured funds worth of USD 375 million in total from international markets.

The syndicated loan for USD 205 million, which matured at end-August 2018, was repaid and not renewed. This strategic decision made in the light of market conditions once again manifested Burgan Bank's robust liquidity and strong repayment capability.

USD 25 million-facility provided by the EBRD for financing trade finance transactions was doubled and increased to USD 50 million.

In 2019, Burgan Bank will continue to build on its cooperation with financial institutions, and to act as the solution partner of its customers.

USD 375 million

Funds secured from international markets amounted to USD 375 million.

An Overview of 2018

OPERATIONS

In 2018, Burgan Bank's Operation and Management Services Group has made it a principle to offer its internal and external customers fast and high-quality services by carrying out its activities in the following areas in synergy with the Bank's other business lines:

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

The Group has taken on many important and critical duties in the implementation of Burgan Bank's profitable and sustainable growth strategy throughout 2018.

Service quality and efficiency were enhanced in operational processes through various projects introduced in 2018.

Displaying a successful performance in securing organizational compliance in new product and service delivery processes thanks to its agile structure, the Operation and Management Services Group introduced numerous projects to enhance efficiency and performance in view of the customers' evolving needs.

Insurance sales began to be made from the benches in branches. Insurance policies sold from the benches in branches of Burgan Bank helped the Bank reach its goals. In Digital Banking transactions, customer experience was maximized thanks to the agile organizational structure.

Business processes were simplified, thus increasing the speed of services to customers and securing productivity.

Under regulatory changes, customers were kept informed, compatibility was secured for internal practices, and various training organizations were carried out to ensure continuity of high quality service. In addition, system improvement was undertaken to adapt the regulatory changes to the banking system.

The Construction and Real Estate Department completed the renovation of a large number of Burgan Bank branches, and personnel-oriented projects (gym, dining and relaxing area) that will contribute positively to socialization of the employees were put to life at the Head Office Building.

In addition to all of the above, also in 2019, Burgan Bank Operation and Management Services Group is going to concentrate on increasing the types of tasks performed without human intervention and is going to focus on further upgrading customer satisfaction within the scope of digitalization for the purpose of increasing productivity and rendering faster service to internal and external customers.

STRATEGIC PLANNING AND CORPORATE COMMUNICATION

Strategic Planning and Project Management Unit carried out various activities in the area of strategic planning and project management in 2018. In this context, the Bank realized projects for increasing the productivity of existing processes, as well as those targeted at new products and channels.

Throughout the year, the Department kept reporting innovations and trends in the national and international sector to the Bank's senior management, developed suggestions that will improve Burgan Bank's competitive strength and shared them with the management.

Work was undertaken to improve customer experience in the various business lines of the Bank. Focus was placed on fulfilling customer expectations and creating customer-focused processes; interdepartmental service level agreements continued to be developed for these processes. End-to-end process performance measurements were made, improvement actions were determined and introduced.

Strategic Planning and Project Management Unit authored numerous activities. In this context, the Bank realized projects for increasing the productivity of existing processes, as well as those targeted at new products and channels.

High added-value reports

Burgan Bank's Macroeconomic Research Department provides macroeconomic analyses and forecasts needed, and prepares the macroeconomic data, reports and presentations required by decision-makers. Periodic reports provide a regular flow of information to the Bank's management and branches.

The target of optimum procurement of needs

Burgan Bank Procurement Department ensures that the procurement processes are realized at optimum terms and costs in view of the changing market conditions and business requirements, while guaranteeing that effective controls are carried out to minimize the risks.

Global service delivery capability

International Business Development Department extends support to local retail and commercial customers seeking investments oppurtunities abroad or to non-residents wishing to invest in Turkey, as well as to foreign customers residing abroad by providing the logistic support and coordination between the Bank's departments and subsidiaries in all processes related to the provision and sales of all sorts of banking products and services.

Activities adding value to Burgan Bank brand

Corporate Communication Department, is in charge of integrated management of all communication processes in line with Burgan Bank's mission, vision and strategic goals. The Department plays an active role in planning, managing and implementing the activities aimed at securing increased brand recognition. It handles all communication activities including corporate identity, reputation and crisis management, media relations, advertising and marketing communication, corporate social responsibility and sponsorship, internal and external events.

Highlights of the activities conducted by the Corporate Communication Department in 2018 are summarized below.

- Image advertising and bulletin board activities were carried out targeting existing and potential customers to support corporate strategies.
- Various sports and art events were sponsored throughout the year to strengthen brand recognition.
- Sailing sponsorship continued in 2018.
- Events bringing the CEO and employees together were organized.

growth

The Operation Group has taken on important and critical duties in the implementation of Burgan Bank's growth strategy throughout 2018.

- In addition to celebration of various occasions, photography exhibitions, movie days, treats, and music performances, conversation sessions with celebrities were organized under the title “Inspirers”.
- Continued to be published with four new issues in 2018, Burgan Life magazine remained as one of the most important internal communication channels.
- Burgan Bank employer brand was successfully launched. The Employer Brand Project was launched with the motto “Burgan is With You” in cooperation with the Human Resources team with the goal of enriching the existing employee experience, and strengthening the perception in view of potential candidates and business partners to ensure sustainability of Burgan Bank’s employer identity.

INTERNAL AUDIT DEPARTMENT

Audit activities conducted based on a risk-focused and integrated approach

Internal Audit Department reports to Board Audit Committee through Internal Systems Executive Vice President . The Department is composed of Branch Audit, Head Office Audit, Information Systems Audit and Quality Assurance Review teams.

Internal Audit Department aims to enhance the effectiveness and adequacy of risk management and internal control system, preserve the Bank’s assets and ensure efficient use of resources and assure the Bank’s fulfillment of its strategic goals.

Internal Audit Department reviews Burgan Bank’s and its subsidiaries’ activities within the scope of the Standards for the Professional Practice of Internal Auditing, throughout an independent and risk-based perspective.

In line with the 2018 Annual Audit Plan, 22 branch; 14 Head Office Department and process; 4 IT audits were conducted. In line with the risk-based approach, specific branch-related processes were started to be reviewed in 2018. In addition, the Bank’s subsidiaries and outsourced support service providers were audited. Senior management, primarily the Board Audit Committee and the Board of Directors, were regularly informed of the audit activities and the outcomes.

Within the scope of advisory services, Internal Audit Department provided proactive support to activities strengthening risk management and internal control systems with respect to new product and service developments, in addition to major projects that the Bank completed in 2018. Besides, the Department provided advisory within the scope of review of policies, guidelines and job descriptions, and handling customer complaints.

A structure fully compliant with International Standards for Internal Auditing

According to International Internal Audit Standards (IIA), 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.

Burgan Bank Internal Audit Department pursues its activities with a structure that is fully compatible with International Standards for Internal Auditing and risk-focused integrated audit approach.

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 for the Professional Practice of Internal Auditing in regard to its position within the organization and processes, prescribed by the Institute of Internal Auditors (IIA).

Quality Assurance Review staff carries out periodic audit assignments 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.

In line with the standards, Internal Audit Department continued in 2018 to encourage its auditors to obtain International Certified Internal Auditor (CIA) and other professional certifications awarded by the International Institute of Internal Auditors and other relevant professional organizations.

As of 2018 year-end, Internal Audit Department consists of 18 employees and 39% of the staff held at least one of the professional certifications awarded by the International Institute of Internal Auditors and other related professional organizations.

Continuously improved audit methodology

Internal Audit Department reviewed and updated its audit methodology, reporting standards, policies and procedures in line with the revised legislation and best international practices in 2018.

Aiming to make maximum use of technology for effective audit, Internal Audit Department continued to invest in computer assisted audit techniques and data mining.

During the reporting period, the Department maintained the coordination of audits conducted by legal authorities such as the BRSA and CBK (Central Bank of Kuwait) and external audits carried out by the independent audit firm.

Activities carried out at the Bank's subsidiaries

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

18 people

The Internal Audit Department is staffed with 18 employees, each one holding at least one professional certification.

In addition, Internal Audit Department conducts audits at these companies already included in its audit universe, in line with the risk assessment results.

Anti-fraud activities

During 2018, Internal Audit Department conducted examinations and special investigations in addition to planned audit activities. Internal Audit Department has means of communication (a dedicated phone line for leaving messages 24/7 and an e-mail address) enabling reporting of fraud, irregularities and corruption directly to the Department.

During 2018, 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 basic risks in the organization.

In line with the Annual Control Plan, on-site control activities were conducted at 21 branches as well as periodic controls on the main banking processes at the Head Office during 2018.

Additionally, the Internal Control Department conducted specific process examinations and control activities for new products and services introduced in 2018 and for rapidly developing and evolving channels and 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 fortify 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 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 2018.

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 consolidated subsidiaries.

Technological investments boosting efficiency

In 2018, the GRC software audit module named Risk Nucleus was introduced and began to be used at Burgan Bank 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.

In 2018, 21 on-site branch audits were conducted and periodic control activities were carried out on main banking processes at the Head Office.

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 control scenarios on the Oracle-BI platform that is used as data analysis and reporting software has been ongoing.

Self-Control Declaration Form (SCDF)

In 2018, the ICD carried on with the SCDF practice, which is aimed at monitoring and evaluating first level control activities performed by relevant Head Office and Branch employees. Accordingly, business units and branches responsible for first level controls submit monthly SCDF's to the ICD in relation to the key (main and critical) controls they perform and their outcomes.

The declaration of the controls is regularly analyzed for strengthening the Bank's internal control environment and increasing its operational efficiency. Also, declaration forms are periodically tested and controlled in order to secure 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 ICD Process and Branch Coordinator implementation continued in 2018.

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

Support provided through consultancy and training activities

As part of its consultancy activities, the ICD kept supporting the major Banking Projects launched in 2018 for improving processes associated with new products and services, increasing operational efficiency, and enhancing the effectiveness of the risk management and internal control system (Personal Data Protection Law Practices, Risk Center Reports, Data Ownership and Data Classification, Digital Loan and Digital Deposit Accounts, etc.).

disaster recovery center

The oversight of the regular Business Continuity and Disaster Recovery Center test runs at Burgan Bank was completed.

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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 2018, 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 2018, 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 Governance Risk and Compliance (GRC) module.

The AML Compliance Unit:

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 law (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 new 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.

In the aftermath of the introduction of the IFRS 9 project, models were monitored, necessary parameters were calculated and model revisions were coordinated with related parties in 2018.

Conformity to Group Standards
AFCP (Anti Financial Crime Program) initiatives, which are led by Burgan Bank Kuwait, continued and various documents forming part of the Group's policies and procedures, along with the reports were updated. Work was initiated within the scope of ACAMS, AML Risk Assessment.

New projects and implementations with increased efficiency
Burgan Bank's liabilities under the Foreign Accounts Tax Compliance Law (FATCA) and the Common Reporting Standards (CRS) introduced by the OECD, and its activities for compliance with the said legislation were monitored and developed as necessary.

Customer acceptance, customer risk classification, periodic customer review, and cash approval mechanism projects were developed and new procedures were introduced.

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 2018.

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 2018 included monitoring the models, calculation of necessary parameters and coordination of model revisions with related parties particularly in the aftermath of the introduction of the IFRS 9 project, in addition to periodic internal and regulatory reports and analyses.

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

ICAAP

The processes of Internal Capital Adequacy Assessment Process (ICAAP) implementation and ICAAP report preparation were coordinated.

HUMAN RESOURCES

Maximizing the value for all stakeholders comprised of customers, employees and shareholders lies at the heart of Burgan Bank's vision, mission and goals. The most important element in reaching the goal of generating value for Burgan Bank's stakeholders is the Bank's sound corporate culture that has been developed with the know-how and experience built up over many years.

The key components of this 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 2018, a total of 263 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.

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 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's human resources profile:

- The average age of employees at Burgan Bank is 37.
- Employees have an average of 11 years' experience in the sector.
- 55% of the employees are women.
- 91% of employees hold an undergraduate or higher degree.

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.

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 42,531 hours of training were provided, with each employee receiving an average of 5 days' of training in 2018. 51% of the training hours were given by internal trainers.

Other programs implemented at Burgan Bank in 2018 were as follows:

Bank-wide "Training Catalogue" was prepared, which addresses the topics employees need in relation to technical and personal development. The catalogue features both internal and external trainers.

Together with the Employer Brand, "Learning from One Another" Program was developed, under which the Bank employees shared the topics in which they are knowledgeable with the teams. In this context, Photography, Chocolate Making, Model Making and Paper Marbling Workshops were organized.

"Management Skills Training Program" developed by the HR began to be offered to Department Managers.

"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

These numbers 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.

37

The average age of Burgan Bank employees is 37.

42,531

A total of 42,531 hours of training were provided, with each employee receiving an average of 5 days' of training in 2018.

TL 35.9 million

Burgan Leasing posted TL 35.9 million in net profit at the end of 2018.

Burgan Finansal Kiralama A.Ş. (Burgan Leasing)

Sustainable, healthy and rapid growth

In 2018, total assets of Burgan Leasing grew by 34% to TL 2.9 billion. The Company's capitalized leasing receivables were up by 33% and reached TL 2.6 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 35.9 million at end-2018.

Burgan Leasing kept growing in 2018 against a backdrop of peaked political and economic uncertainty and volatility, while at the same time, successfully maintaining its asset quality and strictly implementing its strong credit allocation policy. The company successfully leased the right assets to the right companies in the right sectors.

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 at 4.6%, way below the sector's average.

The target product of 2018: renewable energy investments

Burgan Leasing initiated operating lease activities upon identifying renewable energy investments as the target product of 2018, 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.

Burgan Leasing plans to focus on renewable energy and operating lease in 2019. 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 2018. Burgan Leasing also intermediated a number of sale and lease back transactions in the reporting period.

A key goal of Burgan Leasing in 2019 is to expand its customer base. The company will sustain its expansion in the high growth-potential financial leasing sector, driven by the strong support from its principal shareholder, the efforts of its competent human resource, and its robust financial structure.

(million TL)	2018	2017	%
Financial leasing receivables	2,615	1,972	33
Total assets	2,926	2,185	34
Operating revenues	233,9	147,8	58
Net profit	35.9	34.6	4

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

3rd brokerage house

Burgan Securities ranks 12th among the brokerage houses in Turkey with respect to shareholders' equity and 3rd with respect to paid-in capital.

Power stemming from technology and shareholders' equity in the capital markets

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 the Turkish Capital Markets Association's data released in September 2018, Burgan Securities ranks 12th and 3rd in terms of the highest shareholders' equity and the highest paid-in capital, respectively, among 62 brokerage houses operating in Turkey.

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

Burgan Securities continues to deliver its brokerage activities via its experienced customer representatives, as well as the Internet branch and mobile app. The company plans to further upgrade its technological infrastructure in 2019.

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

Brokerage Services

In 2018, 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. In 2019, the Company intends to increase its product and access channel diversity, and to broaden the scope of domestic brokerage service offered to its investor customers.

Corporate Finance

Corporate finance is a business line in which Burgan Securities is experienced. The company kept offering consultancy services for various projects to its domestic and foreign customers in 2018.

Burgan Securities organized a roadshow in November and held contacts with potential buyers and sellers in Kuwait.

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 41 branches composed of 9 retail branches, one corporate branch and 31 mixed branches, along with the internet banking application, a call center and 1,006 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 2018**		
	Burgan Bank	Sector*	The Bank's Share (%)
Cash Loans	13,475	2,394,740	0.56
Customer Deposits	9,873	2,035,965	0.48
Number of Branches	41	10,454	0.39
Number of Employees	1,006	192,313	0.52

*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 2018.

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 20,310 thousand (31 December 2017: TL 17,411 thousand) which includes total gross salaries, travel, meal allowances, health insurance, life insurance, vehicle expenses and other expenses.

As of 31 December 2018, total benefit which was provided to top management, was provided to following groups as a salary package: TL 9,099 thousand to Board Members and the General Manager (1st Group), TL 8,975 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 2018, the total amount of legal action taken against the Bank stood at TL 54,164 thousand (31 December 2017: TL 57,174 thousand) and the Bank sets aside a provision of TL 7,292 thousand (31 December 2017: TL 6,936 thousand) regarding these risks. Due to the delayed reply to e-foreclosure submitted by the Gökpınar Tax Administration, negative declaratory action has been claimed at the “Denizli Tax Authority” and the “Denizli Civil Court of General Jurisdiction” for the cancellation of the payment order of TL 25,459 thousand, which was notified to the Bank. The transactions have been suspended with an injunction obtained in response to the 15% collateral. Trials at administrative courts were resulted in favor of the Bank and these trials are in appeal process. The verdict is expected to be in favor of the Bank. As a result, the Bank has not booked any provisions.

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 165,196 thousand as of 31 December 2018 (31 December 2017: TL 146,397 thousand), while the Bank set aside a provision of premium amounting to TL 29,390 thousand (31 December 2017: TL 21,652 thousand) to be paid to the Bank’s personnel.

section two

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

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:				
Faisal M.A. Al Radwan	Chairman	12.09.2018	Bachelor's degree	23
Eduardo Eguren Linsen	Member	20.12.2012	Bachelor's degree	25
Majed E.A.A. Al Ajeel	Member	20.12.2012	Master's degree	22
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
Ali Murat Dinç	Member and General Manager	03.02.2014	Master's degree	21
CHIEF EXECUTIVE OFFICER:				
Ali Murat Dinç	Member and General Manager	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
Tuba Onay Ergelen	Chief Financial Officer (acting)	08.11.2018	Bachelor's degree	18
Hasan Ufuk Dinç	Digital Banking and Information Technologies	19.11.2018	Master's degree	22

Changes in the Bank's top management during 2018 and until the reporting date:

Appointments:

Vice Chairman of the Board Faisal M.A. Al Radwan was elected as the Chairman of the Board on 12 September 2018.

Strategic Planning and Corporate Communication Group Head Tuba Onay Ergelen was deputed to the Finance Group.

Hasan Ufuk Dinç was appointed as Executive Vice President responsible for Digital Banking and Information Technology on 19 November 2018.

Departures:

The following executives resigned from the Bank: Chairman of the Board of Directors Mehmet Nazmi Erten on 12 September 2018; Executive Vice President of Retail Banking Emine Pınar Kuriş on 06 July 2018; Chief Financial Officer Mehmet Yalçın on 02 November 2018; and Executive Vice President of Corporate Banking Hüseyin Cem Öge on 06 February 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

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 30 March 2018.

CREDIT COMMITTEE

The chairman of the Credit Committee is Faisal M.A. Al Radwan, the chairman of the Board of Directors. The Bank's CEO, Ali Murat Dinç and board member Eduardo Eguren Linsen serve as members of the Committee. Mehmet Alev Göçmez 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 applicable laws and regulations. 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 Majed E.A.A. Al Ajeel, Eduardo Eguren Linsen and Mehmet Alev Göçmez serve as members of the Committee. In 2018, four meetings were held with the participation of all members.

INTERNAL SYSTEMS ORGANIZATIONAL FUNCTION GROUPS

AUDIT COMMITTEE

According to the Regulation on Banks' Internal Systems, Audit Committee, on behalf of Board of Directors, is responsible from establishing and monitoring sufficient and effective internal systems in the Bank and subsidiaries that are subject to consolidation.

Halil Cantekin is the Chairman of Audit Committee while Adrian Alejandro Gostuski and Osama T.Al Ghoussein 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, Majed E.A.A. Al Ajeel and Osama T.Al Ghoussein. 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 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. 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 biweekly. 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.

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.

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

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 Branch Audit, Head Office 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, 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 processes at the Head Office scheduled under the 2018 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 2018.

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 2018. 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 2018.

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.

AML Compliance Unit:

Burgan Bank's 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. Under the applicable legislation, the Unit carries on with monitoring, control, risk management, internal audit and training activities directed towards the fight against the laundering proceeds of crime. The Unit aims to evaluate customers, transactions and services with a risk-focused approach and to take steps to mitigate potential risk exposure, increasing awareness through training activities, and to prevent the risks that the Bank and its employees may be exposed to in compliance 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), Wolfsberg Principles, 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 2018. 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 2018, the Bank realized the necessary organizational changes and investments in line with its efficiency and effectiveness notion, intensified its customer-oriented activities via its 41 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 2018 the Bank's total assets increased by 16.5% YoY and reached TL 19,581,399 thousand.

Customers' deposits were up by 12.7% and amounted to TL 10,060,455 thousand. The share of savings deposits in the Bank's total deposits increased

As of 31 December 2018, 51.4% of the total liabilities consisted of deposits, 31.1% consisted of funds borrowed and money market borrowings and 9.6% consisted of shareholders' equity.

As far as assets are concerned, total cash loans had reached TL 14,677,253 thousand as of 31 December 2018, signifying a YoY rise by 9.2%.

The total amount of the Bank's non-performing loans accounted for 4.7% of its cash loan portfolio. The Bank set aside 28.4% provision for non-performing loans.

Total securities stood at TL 633,099 thousand. As a result, 71.9% of our assets consisted of loans, with securities accounting for 3.2% and cash, CBTR and short term placements comprising 15% of our assets.

Last year the Bank registered a 48% year-on- year rise in its operating income. This was the result of expansion in lending with improvements in interest rate margins and of growth in non-interest revenues nourished by cross-sales.

At the same time, operating expenses were strictly controlled so as to support the Bank's growth through sustainable profitability. The result was a 97.4% year-on rise in the Bank's operational net profit, which is its total profit less its operating expenses. The Bank's pre-tax profit in 2018 amounted to TL 199,193 thousand while its net profit was TL 161,759 thousand.

Our principal shareholder continued to support the Bank in 2018. As of 31 December 2018, the Bank's books showed a USD 400 million long-term loan and a USD 300 million subordinated loan, both received from its principal shareholder. A capital increase of TL 350 million was realized in 2018, and TL 348 million that corresponds to our principal's share was collected in cash.

As of 31 December 2018, the Bank's unconsolidated standard capital adequacy ratio was 20.74%.

The Bank's organizational structure has reached a much better and more sustainable position from the standpoints of efficiency and motivation. Our focus remains on increasing profitability and productivity in every possible area. In 2018 we will continue our efforts to sustain the growth in our lending while concentrating on loan quality, to reduce our funding costs through resource diversification and to improve revenues without sacrificing the principle of prudence.

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 2018.

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 reviews and approves all recruitments of the Bank. All new recruitments within the budget are also approved by 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, “Corporate Coaching” and “Meet the Experience” mentoring programs were implemented to support the employees’ personal development.

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.

Information about Human Resources Practices

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

The employees must use:

- At least two consecutive weeks' vacation, if they are entitled to annual vacation of 20 or more days,
- At least one straight through week vacation if they are entitled to annual vacation of 17 days,
- The General Manager, the Senior Executive Vice President, Executive Vice Presidents, Group Heads, Regional Managers, Department Heads and Branch Managers should take at least 2 consecutive weeks' vacation, regardless of their entitled days of vacation.

The Remuneration and Benefits Management Department asks the employees, who have not taken their vacations in line with the rules stipulated by the Bank, to submit their explanations after being approved by their managers.

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.

The Bank's Transactions with Its Risk Group

	Total Risk Group	Share in Financial Statements (%)
Borrowings and Subordinated Debts	3,907,357	66.08
Deposits	169,277	1.68
Non-cash Loans	160,744	6.93
Banks and Other Financial Institutions	137,713	70.81
Loans	23,024	0.16

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 2018, 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	Kiosks Equipment Installation, Support and Maintenance
Innova Bilişim Çözümleri A.Ş.	Information Systems	Innova Payflex Collection System
Intertech Bilgi İşlem Pazarlama Ticaret A.Ş.	Information Systems	Core Banking System, Support and Maintenance Services
Intertech Bilgi İşlem Pazarlama Ticaret A.Ş.	Information Systems	Credit Card Integration
Intertech Bilgi İşlem Pazarlama Ticaret A.Ş.	Information Systems	Main Banking development and support services
Intertech Bilgi İşlem Pazarlama Ticaret A.Ş.	Information Systems	e-Pledge Integration
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
MASTERCARD Payment Transaction Services Turkey Bilişim. Hiz.A.Ş.	Operational Services	Debit Card Clearing Operation Service
MASTERCARD Payment Transaction Services	Information Systems	Payback and Reporting

Support Service Company	Area of Expertise	Description of Service
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
Veripark Yazılım A.Ş.	Information Systems	Internet Banking, Direct Sales Tablet Application and Vendor Channel Web Application
Halıcıoğlu Yazılım Danışmanlık ve Tic Ltd Şti	Information Systems	Legal Tracking System
Alternatif Dağıtım Taş. Kurye Hiz. Ltd. Şti. (Traffic Kurye)	Operational Services	Identity verification and delivery of account opening documents
BS Finans Teknolojileri ve Danışmanlık A.Ş. -Bankalar Caddesi	Operational Services	Credit application routing over the Internet
Lostar Bilgi Güvenliği A.Ş.	Information Systems	Penetration test
Indigo Consulting SAL Offshore	Information Systems	Murex support services
Hangisi Internet ve Bilgi Hizmetleri A.Ş. - Hangikredi	Operational Services	Credit application routing over the Internet
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
Finovatif Finans Teknolojileri A.Ş.	Operational Services	Comparative credit information display service for customers on e-commerce sites
Lider Turizm A.Ş.	Operational Services	Credit application collection services
Posta ve Telgraf Teşkilatı A.Ş. (PTT)	Operational Services	Debit and credit card submissions
Tele Kurye A.Ş.	Operational Services	Identity verification and delivery of account opening documents
Sistaş Sayısal İletişim Sanayi ve Ticaret A.Ş.	Information Systems	Call center infrastructure service
MASTERCARD Payment Transaction Services Turkey Bilişim. Hiz. A.Ş.	Information Systems	Fraud monitoring / EMS system service for Internet Banking, Mobile Banking Call Center operations
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
CTN Tekstil Mobilya ve Dayanıklı Tüketim Malları San ve Tic A.Ş.	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	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

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 11 meetings during 2018. The members of our Bank's Board of Directors as of the date of this writing are presented below.

Member	Position
Faisal M.A. Al Radwan	Chairman of the Board
Osama T. Al Ghoussein	Board Member
Eduardo Eguren Linsen	Board Member
Adrian Alejandro Gostuski	Board Member
Majed E.A.A. Al Ajeel	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 four meetings in 2018. The members of the Bank's Corporate Governance Committee as of the date of this writing are presented below.

Member	Position
Majed E.A.A. Al Ajeel	Head of the Board of Directors Corporate Governance Committee
Faisal M.A. Al Radwan	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 three meetings in 2018. The members of the Bank's Nomination and Remuneration Committee as of the date of this writing are presented below.

Member	Position
Majed E.A.A. Al Ajeel	Head of the Board of Directors Remuneration Committee
Eduardo Eguren Linsen	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 2018. 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
Osama T. Al Ghoussein	Member of the Board of Directors Audit Committee
Adrian Alejandro Gostuski	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 2018. 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
Majed E.A.A. Al Ajeel	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 25 meetings in 2018. The members of the Bank's Credit and Recovery Committee as of the date of this writing are presented below.

Member	Position
Faisal M.A. Al Radwan	Head of the Board of Directors Credit Committee
Ali Murat Dinç	Member of the Board of Directors Credit Committee
Eduardo Eguren Linsen	Member of the Board of Directors Credit Committee
Adrian Alejandro Gostuski	Alternate Member of the Board of Directors Credit Committee
Mehmet Alev Göçmez	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)
- 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 Security Steering Committee (ISSC)
- 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 2018, the Bank's total assets increased by 16.5% and reached TL 19,581,399 thousand.

Liquid assets accounted for 15% of the Bank's balance sheet.

At TL 633,099 thousand, the Bank's net securities portfolio made up a 3.2% share of its balance sheet.

There was a 6.2% year-on rise in cash loans, of which share of the total balance sheet was 71.9% as of year-end. The Bank's NPL ratio was 4.7%.

As of 31 December 2018, the Bank's total deposits amounted to TL 10,060,455 thousand, up 12.7% year-on-year. This corresponds to a 51.4% 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-2018, the Bank showed a net profit of TL 161,759 thousand.

BURGAN BANK A.Ş. BALANCE SHEET ANALYSIS (TL THOUSAND)			
ASSETS	**31 December 2018**	**31 December 2017**	**Change (%)**
Liquid Assets (Net)	2,940,498	2,184,644	34.6
Securities (Net)	633,099	424,026	49.3
Loans and Factoring Receivables (Net)	14,085,758	13,262,537	6.2
Subsidiaries	381,091	256,972	48.3
Tangible and Intangible Assets	215,602	145,547	48.1
Other Assets (Net)	1,325,351	533,583	148.4
TOTAL ASSETS	19,581,399	16,807,309	16.5
LIABILITIES			
Deposits	10,060,455	8,928,115	12.7
Funds Borrowed	6,084,567	5,558,646	9.5
Other Liabilities	1,560,397	808,073	93.1
Shareholders' Equity	1,875,980	1,512,475	24.0
TOTAL LIABILITIES	19,581,399	16,807,309	16.5

(*) 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 2018**	**31 December 2017**
Liquid Assets (Net)	15.0	13.0
Securities (Net)	3.2	2.5
Loans and Factoring Receivables (Net)	71.9	78.9
Subsidiaries	1.9	1.5
Tangible and Intangible Assets	1.1	0.9
Other Assets (Net)	6.9	3.2
TOTAL ASSETS	100.0	100.0
LIABILITIES		
Deposits	51.4	53.1
Funds Borrowed	31.1	33.1
Other Liabilities	7.9	4.8
Shareholders' Equity	9.6	9.0
TOTAL LIABILITIES	100.0	100.0

Parallel to the 6.2% growth in the loan volume, the increase in interest rate margins and upward movement in market interest rates led to a 46.4% increase in the Bank's loan interest income and the increase in gross interest income was 63.7%.

Somewhat similarly, the 12.7% expansion in bank-held deposits and increased interest rates led to a 77.6% rate of rise in the interest that was paid on them. Owing to loans received from our principal shareholder and from other banks, there was a 82.1% rise in the interest paid on such borrowings compared to the 2017. The 72.5% year-on rise in gross interest expenses is attributable to the growth in resources secured by the Bank to fund the expansion in its assets.

In 2018 favourable developments in interest rate margins accompanied by growth lending and by changes in costs brought on by resource diversification resulted in 44% rise in the Bank's net interest income when compared to previous year.

An Assessment of the Financial Status, Profitability and Solvency

BURGAN BANK A.Ş. NET INTEREST INCOME (TL THOUSAND)			
	31 December 2018	31 December 2017	Change (%)
INTEREST INCOME	2,367,511	1,445,845	63.7
Interest on Loans	1,657,766	1,132,453	46.4
Interest on Reserve Requirements	38,792	20,438	89.8
Interest on Banks	78,534	25,248	211.1
Interest on Money Market Transactions	76,599	3,152	2330.2
Interest on Securities	48,146	39,338	22.4
Other Interest Income	467,674	225,216	107.7
INTEREST EXPENSE	(1,729,772)	(1,002,944)	72.5
Interest on Deposits	(1,008,265)	(567,753)	77.6
Interest on Funds Borrowed	(282,136)	(154,908)	82.1
Interest on Money Market Borrowing	(8,367)	(12,660)	(33.9)
Other Interest Expense	(431,004)	(267,623)	61.0
NET INTEREST INCOME	637,739	442,901	44.0

BURGAN BANK A.Ş. NET INTEREST INCOME ANALYSIS (%)		
INTEREST INCOME	100.0	100.0
Interest on Loans	70.0	78.3
Interest on Reserve Requirements	1.6	1.4
Interest on Banks	3.3	1.7
Interest on Money Market Transactions	3.2	0.2
Interest on Securities	2.0	2.7
Other Interest Income	19.9	15.7
INTEREST EXPENSE	100.0	100.0
Interest on Deposits	58.3	56.6
Interest on Funds Borrowed	16.3	15.4
Interest on Money Market Borrowings	0.5	1.3
Other Interest Expense	24.9	26.7

Loan provisions amounted to TL 239,076 thousand.

To sum up, total loans were up by 9.2% last year. Significantly this was achieved without sacrificing profitability even in the face of the stiff price competition.

As a result, there was a 44% year-on rise in net interest income and an %48 increase in operating income, the latter of which was attributable to increases in other interest income and cross-sales earnings. Sustainable growth of the Bank's profit was also supported by strict management of operating expenses. In 2018 Burgan Bank posted a net current profit of TL 161,759 thousand, which was 47.3% higher than that of the previous year.

BURGAN BANK A.Ş. NET INCOME ANALYSIS (TL THOUSAND)

	31 December 2018	31 December 2017	Change (%)
Net Interest Income	637,739	442,901	44.0
Net Commission and Fee Income	28,157	31,016	(9.2)
Dividend Income	700	328	113.4
Trading Income/Loss (Net)	66,378	17,448	280.4
Other Operating Income	16,491	14,607	12.9
Reserve For Loan and Other Losses	(239,076)	(82,500)	189.8
Other Operating Expenses	(344,864)	(301,299)	14.5
From Investments Accounted Based on the Equity Method	33,668	17,168	96.1
Income Before Tax	199,193	139,669	42.6
Tax	(37,434)	(29,821)	25.5
Net Income	161,759	109,848	47.3

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 (23 October 2018)	
Outlook	Negative
Long Term Foreign Currency	BB-
Short Term Foreign Currency	B
Long Term Local Currency	BB
Short Term Local Currency	B
Financial Capacity	b
Support	3
National	AA(tur)

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

TL thousand	31,12,2018	31,12,2017	31,12,2016	31,12,2015	31,12,2014(*)
Total Assets (*)	19,581,399	16,807,309	13,721,616	10,674,834	8,689,365
Loans	14,085,758	13,262,537	10,685,527	8,187,754	6,466,286
Deposits	10,060,455	8,928,115	8,309,833	6,695,608	5,365,121
Shareholders' Equity (*)	1,875,980	1,512,475	1,092,558	1,012,502	953,026
Current Year Income/(Loss) (*)	161,759	109,848	71,673	52,169	17,824
Non-cash Loans	2,319,967	2,118,649	1,982,236	1,544,155	1,190,752
Capital Adequacy Ratio	%20,74	%19,60	%17,66	%15,97	%17,74

(*) 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

	31.12.2018 (*)	31.12.2017 (*)	%
Total Assets	22,028,865	18,754,698	17.5
Loans, factoring and financial lease receivables	16,789,201	15,258,622	10.0
Securities	633,180	444,427	42.5
Deposits	9,915,300	8,872,471	11.8
Borrowings and money market placements	8,640,307	7,479,560	15.5
Shareholders' Equity	1,875,980	1,512,475	24.0
Non-cash Loans	2,319,967	2,118,649	9.5
Current Year Income/ (Loss)	161,759	109,848	47.3
Capital Adequacy Ratio (*)	18.49%	17.32%	6.8

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

Information on Consolidated Subsidiaries

Our consolidated subsidiaries are presented below as of 31 December 2018:

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	2,926,387	256,084	3,106	233,934	-	35,860	34,559	-
2(*)	140,367	125,091	2,281	18,265	148	(2,192)	(17,391)	-

(*) 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 2018

Appendix-3
Publicly Announced Consolidated Financial Statements and Related Disclosures Together with Independent Audit Report at 31 December 2018

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(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OFTHE 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, 2018 - December 31, 2018.

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

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 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 opinion in our auditor's report dated February 28, 2019 on the full set Consolidated and Unconsolidated financial statements of the Group and the Bank for the period of January 1, 2018 - December 31, 2018.

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") and communique on "Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Report by Banks", 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.

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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.

- Other issues determined in accordance with “Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Report by Banks” published in official gazette no.26333 dated November 1, 2006.

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

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 and communique on “Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Report by Banks” published in official gazette no.26333 dated November 1, 2006, “Regulation On The Procedures And Principles For Accounting Practices And Retention Of Documents By Banks” published in official gazette no.26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and “BRSA Accounting and Financial Reporting Legislation” which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations, 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 and the “Communique on Independent Audit of Banks”. 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 the 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 28, 2019
İstanbul, Turkey

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS AND AUDIT 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 2018

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working world

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Burgan Bank Anonim Şirketi:

A) Audit of 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, 2018, 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, 2018 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 Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2) Basis for Opinion

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

3) Key Audit Matters

Key audit matters are those matters that, in our professional 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
The effects of First-time adaptation of "TFRS 9 Financial Instruments" standard in the financial statements and accounting of impairment of financial assets in the financial statements, and its related outstanding explanations	
As disclosed in footnote XXIX of Section 3; the Bank started implementing TFRS 9 "Financial Instruments Standard" effective on or after January 1, 2018 and accounting the expected credit losses of financial in accordance with this standard in the financial statements effective on or after this date. The reasons we consider the TFRS 9 transition and its impairment of financial assets as a key audit matter; ▪ 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 effect of TFRS 9 transition in the Bank's equity is 12% ▪ The applications TFRS 9 introduced are complex and comprehensive ▪ The classification of financial instruments based on the Bank's business models and the characteristics of contractual cash flows in line with 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 together with the adoption of TFRS 9 ▪ Estimations and assumptions used for expected credit losses are new, important and complex ▪ Complex and comprehensive disclosure requirements of TFRS 9.	Our additional 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.b.2.and Note II.b. 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, 2018 are not in compliance with the TCC and provisions of the Bank's articles of association in relation to financial reporting.

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

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

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section Three, accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Yaşar Bivas, SMMM
Partner

February 28, 2019
İstanbul, Türkiye

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

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

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The unconsolidated year end financial 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.

28 February 2019

Faisal M.A. Al Radwan Chairman of the Board of Directors	Ali Murat DİNÇ Member of the Board of Directors and General Manager	Tuba Onay ERGELEN Acting Finance Group Head (Represent by proxy)	Ahmet CIĞA Head of Accounting, Tax, and Reporting Unit

Halil CANTEKİN Head of the Audit Committee	Adrian Alejandro GOSTUSKI Member of the Audit Committee	Osama T. AL GHOUSSEIN 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
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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 Tekfn Group's 70% share in Tekfenbank and Tekfen Leasing which is fully owned by Tekfenbank; where Tekfen Group retained its strategic partnership by keeping all remaining shares. On 23 February 2007, the sale of Tekfenbank A.Ş. to Eurobank EFG Holding (Luxembourg) S.A. ("Eurobank EFG Holding") was approved by the BRSA and the sale was completed after the share transfer on 16 March 2007.

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

At the Extraordinary Board of Directors meeting on 23 January 2013, the title of the bank has been decided to change from Eurobank Tekfen A.Ş. to Burgan Bank A.Ş., 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.

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

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

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

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

Founded in 1977, Burgan Bank K.P.S.C. ,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:	Faisal M.A. Al Radwan	Chairman of Board of Directors	Undergraduate
Board of Directors Members:	Eduardo Eguren Linsen	Member	Undergraduate
	Majed E.A.A. Al Ajeel	Member	Graduate
	Adrian Alejandro Gostuski	Member	Graduate
	Mehmet Alev Göçmez	Member	Graduate
	Halil Cantekin	Member	Undergraduate
	Osama T. Al Ghoussein	Member	Undergraduate
	Ali Murat Dinç	Member and General Manager	Graduate
General Manager:	Ali Murat Dinç	Member and General Manager	Graduate
Vice General Managers: (*)	Esra Aydın	Operations & Management Services	Undergraduate
	Mutlu Akpara	Treasury, Capital Markets and Financial Institutions	Graduate
	Cihan Vural	Internal Systems	Undergraduate
	Rasim Levent Ergin	Human Resources	Graduate
	Suat Kerem Sözügüzel	Commercial Banking	Undergraduate
	Hasan Hüseyin Uyar	Loans	Graduate
	Tuba Onay Ergelen	Financial Affairs (represent by proxy)	Undergraduate
	Hasan Ufuk Dinç	Digital Banking and Information Technologies	Graduate
Audit Committee:	Halil Cantekin	Committee President	Undergraduate
	Adrian Alejandro Gostuski	Member	Graduate
	Osama T. Al Ghoussein	Member	Undergraduate

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

There is no share of the above individuals in the 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 2018, the Bank, whose headquarter located in İstanbul, has 41 branches operating in Turkey (31 December 2017: 43). The Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 31 December 2018, the Bank has 1.006 (31 December 2017: 978) employees.

VI. CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMIDIATE 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. Statement of off balance sheet contingencies and commitments
III. Income statement
IV. Statement of income and expense items accounted under shareholders' equity
V. Statement of changes in shareholders' equity
VI. Statement of cash flow
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 2018

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

I.	BALANCE SHEET	Note (Section Five)	(31/12/2018)		
	ASSETS		TL	FC	Total
I.	**FINANCIAL ASSETS (Net)**		**2.484.301**	**2.244.130**	**4.728.431**
1.1	**Cash and cash equivalents**		**1.376.293**	**1.564.570**	**2.940.863**
1.1.1	Cash and balances at Central Bank	I-a	1.373.256	1.373.138	2.746.394
1.1.2	Banks	I-c	3.037	191.432	194.469
1.1.3	Receivables from Money Markets		-	-	-
1.2	**Financial assets at fair value through profit or loss**	**I-b**	**1.036**	**11.654**	**12.690**
1.2.1	Public debt securities		1.036	10.938	11.974
1.2.2	Equity instruments		-	-	-
1.2.3	Other financial assets		-	716	716
1.3	**Financial assets at fair value through other comprehensive income**	**I-d**	**254.318**	**134.287**	**388.605**
1.3.1	Public debt securities		248.906	134.287	383.193
1.3.2	Equity instruments		4.912	-	4.912
1.3.3	Other financial assets		500	-	500
1.4	**Financial assets measured at amortized cost**	**I-g**	**-**	**236.801**	**236.801**
1.4.1	Public debt securities		-	236.801	236.801
1.4.2	Other financial assets		-	-	-
1.5	**Derivative financial assets**	**I-n**	**853.104**	**296.818**	**1.149.922**
1.5.1	Derivative financial assets at fair value through profit or loss		197.765	283.466	481.231
1.5.2	Derivative financial assets at fair value through other comprehensive income		655.339	13.352	668.691
1.6	**Non-performing financial assets**		-	-	-
1.7	**Allowance for expected credit losses (-)**		**450**	**-**	**450**
II.	**LOANS (Net)**	**I-e**	**5.433.477**	**8.652.281**	**14.085.758**
2.1	**Loans**		**4.990.810**	**8.999.987**	**13.990.797**
2.1.1	Loans measured at amortized cost		4.990.810	8.999.987	13.990.797
2.1.2	Loans at fair value through profit or loss		-	-	-
2.1.3	Loans at fair value through other comprehensive income		-	-	-
2.2	**Receivables from leasing transactions**	**I-k**	-	-	-
2.2.1	Finance lease receivables		-	-	-
2.2.2	Operational lease receivables		-	-	-
2.2.3	Unearned income (-)		-	-	-
2.3	**Factoring receivables**	**I-e**	**7**	**-**	**7**
2.3.1	Factoring receivables measured at amortized cost		7	-	7
2.3.2	Factoring receivables at fair value through profit or loss		-	-	-
2.3.3	Factoring receivables at fair value through other comprehensive income		-	-	-
2.4	**Non-performing loans**		**686.449**	**-**	**686.449**
2.5	**Allowance for expected credit losses (-)**	**I-e**	**243.789**	**347.706**	**591.495**
2.5.1	12-Month expected credit losses (Stage 1)		18.345	74.897	93.242
2.5.2	Significant increase in credit risk (Stage 2)		30.697	272.809	303.506
2.5.3	Credit-Impaired (Stage 3)		194.747	-	194.747
III.	**NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)**	**I-r**	**113.090**	**-**	**113.090**
3.1	Held for sale		113.090	-	113.090
3.2	Held from discontinued operations		-	-	-
IV.	**INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**		**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**	**381.091**	**-**	**381.091**
4.2.1	Non-consolidated financial subsidiaries		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-l**	**58.454**	**-**	**58.454**
VI.	**INTANGIBLE ASSETS AND GOODWILL (Net)**	**I-m**	**44.058**	**-**	**44.058**
6.1	Goodwill		-	-	-
6.2	Other		44.058	-	44.058
VII.	**INVESTMENT PROPERTIES (Net)**	**I-o**	-	-	-
VIII.	**CURRENT TAX ASSETS**		**10.294**	**-**	**10.294**
IX.	**DEFERRED TAX ASSETS**	**I-p**	-	-	-
X.	**OTHER ASSETS**	**I-s**	**100.865**	**59.358**	**160.223**
	TOTAL ASSETS		**8.625.630**	**10.955.769**	**19.581.399**

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

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

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

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

I.	BALANCE SHEET	Note (Section Five)	(31/12/2017)		
	ASSETS		**TL**	**FC**	**Total**
I.	**CASH AND BALANCES WITH CENTRAL BANK**	**I-a**	**1.034.425**	**992.902**	**2.027.327**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)**	**I-b**	**80.309**	**83.557**	**163.866**
2.1	Trading Financial Assets		80.309	83.557	163.866
2.1.1	Government Debt Securities		2.342	2.968	5.310
2.1.2	Share Certificates		-	-	-
2.1.3	Trading Derivative Financial Assets		77.967	80.458	158.425
2.1.4	Other Marketable Securities		-	131	131
2.2	Financial Assets Designated at Fair Value through Profit or Loss		-	-	-
2.2.1	Government Debt Securities		-	-	-
2.2.2	Share Certificates		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other Marketable Securities		-	-	-
III.	**BANKS**	**I-c**	**16**	**157.301**	**157.317**
IV.	**MONEY MARKETS**		-	-	-
4.1	Interbank Money Market Placements		-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-
V.	**AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)**	**I-d**	**155.897**	**95.695**	**251.592**
5.1	Share Certificates		4.225	-	4.225
5.2	Government Debt Securities		150.952	95.695	246.647
5.3	Other Marketable Securities		720	-	720
VI.	**LOANS**	**I-e**	**5.828.071**	**7.434.460**	**13.262.531**
6.1	Loans		5.664.715	7.434.460	13.099.175
6.1.1	Loans to Bank’s Risk Group		21.714	6	21.720
6.1.2	Government Debt Securities		-	-	-
6.1.3	Other		5.643.001	7.434.454	13.077.455
6.2	Loans under Follow-up		345.661	-	345.661
6.3	Specific Provisions (-)		182.305	-	182.305
VII.	**FACTORING RECEIVABLES**	**I-e**	**6**	**-**	**6**
VIII.	**HELD-TO-MATURITY SECURITIES (Net)**	**I-f**	**-**	**171.218**	**171.218**
8.1	Government Debt Securities		-	171.218	171.218
8.2	Other Marketable Securities		-	-	-
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	**I-g**	-	-	-
9.1	Consolidated Based on Equity Method		-	-	-
9.2	Unconsolidated		-	-	-
9.2.1	Financial Investments in Associates		-	-	-
9.2.2	Non-financial Investments in Associates		-	-	-
X.	**SUBSIDIARIES (Net)**	**I-h**	**256.972**	**-**	**256.972**
10.1	Unconsolidated Financial Subsidiaries		256.972	-	256.972
10.2	Unconsolidated non-Financial Subsidiaries		-	-	-
XI.	**JOINT VENTURES (Net)**	**I-i**	-	-	-
11.1	Consolidated Based on Equity Method		-	-	-
11.2	Unconsolidated		-	-	-
11.2.1	Financial Joint Ventures		-	-	-
11.2.2	Non-financial Joint Ventures		-	-	-
XII.	**LEASE RECEIVABLES (Net)**	**I-j**	-	-	-
12.1	Financial Lease Receivables		-	-	-
12.2	Operational Lease Receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned Income (-)		-	-	-
XIII.	**HEDGING DERIVATIVE FINANCIAL ASSETS**	**I-k**	**257.159**	**5.708**	**262.867**
13.1	Fair Value Hedge		-	-	-
13.2	Cash Flow Hedge		257.159	5.708	262.867
13.3	Foreign Net Investment Hedge		-	-	-
XIV.	**PROPERTY AND EQUIPMENT (Net)**	**I-l**	**55.377**	**-**	**55.377**
XV.	**INTANGIBLE ASSETS (Net)**	**I-m**	**45.085**	**-**	**45.085**
15.1	Goodwill		-	-	-
15.2	Other		45.085	-	45.085
XVI.	**INVESTMENT PROPERTY (Net)**	**I-n**	-	-	-
XVII.	**TAX ASSET**	**I-o**	-	-	-
17.1	Current Tax Asset		-	-	-
17.2	Deferred Tax Asset		-	-	-
XVIII.	**ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)**	**I-p**	**45.085**	**-**	**45.085**
18.1	Held for Resale		45.085	-	45.085
18.2	Discontinued Operations		-	-	-
XIX.	**OTHER ASSETS**	**I-r**	**64.651**	**43.415**	**108.066**
					-
	TOTAL ASSETS		**7.823.053**	**8.984.256**	**16.807.309**

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

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

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

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

I.	BALANCE SHEET	Note (Section Five)		(31/12/2018)	
	LIABILITIES		TL	FC	Total
I.	**DEPOSITS**	**II-a**	**4.226.304**	**5.834.151**	**10.060.455**
II.	**LOANS RECEIVED**	**II-c**	**14.067**	**4.299.722**	**4.313.789**
I.	**MONEY MARKET FUNDS**		-	**171.306**	**171.306**
II.	**MARKETABLE SECURITIES (Net)**	**II-d**	-	-	-
4.1	Bills		-	-	-
4.2	Asset backed securities		-	-	-
4.3	Bonds		-	-	-
V.	**FUNDS**		-	-	-
5.1	Borrower funds		-	-	-
5.2	Other		-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**	**II-b**	-	-	-
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**II-g**	**305.188**	**97.237**	**402.425**
7.1	Derivative financial liabilities at fair value through profit or loss		245.286	86.866	332.152
7.2	Derivative financial liabilities at fair value through other comprehensive income		59.902	10.371	70.273
VIII.	**FACTORING PAYABLES**		-	-	-
IX.	**LEASE PAYABLES**	**II-f**	-	-	-
9.1	Finance lease payables		-	-	-
9.2	Operating lease payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses (-)		-	-	-
X.	**PROVISIONS**	**II-h**	**58.438**	**26.497**	**84.935**
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		42.292	-	42.292
10.3	Insurance technical reserves (Net)		-	-	-
10.4	Other provisions		16.146	26.497	42.643
XI.	**CURRENT TAX LIABILITIES**	**II-i**	**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**	-	**1.599.472**	**1.599.472**
14.1	Loans		-	1.599.472	1.599.472
14.2	Other debt instruments		-	-	-
XV.	**OTHER LIABILITIES**	**II-e**	**177.633**	**862.581**	**1.040.214**
XVI.	**SHAREHOLDERS` EQUITY**	**II-l**	**1.872.094**	**3.886**	**1.875.980**
16.1	Paid-in capital		1.535.000	-	1.535.000
16.2	Capital reserves		(99)	-	(99)
16.2.1	Equity share premiums		-	-	-
16.2.2	Share cancellation profits		-	-	-
16.2.3	Other capital reserves		(99)	-	(99)
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		16.552	-	16.552
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		60.028	3.886	63.914
16.5	Profit reserves		273.197	-	273.197
16.5.1	Legal reserves		21.402	-	21.402
16.5.2	Statutory reserves		-	-	-
16.5.3	Extraordinary reserves		251.795	-	251.795
16.5.4	Other profit reserves		-	-	-
16.6	Profit or loss		(12.584)	-	(12.584)
16.6.1	Prior years' profits or losses		(174.343)	-	(174.343)
16.6.2	Current period net profit or loss		161.759	-	161.759
16.7	Minority share		-	-	-
	TOTAL EQUITY AND LIABILITIES		**6.686.547**	**12.894.852**	**19.581.399**

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

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

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

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

I.	BALANCE SHEET	Note (Section Five)	(31/12/2017)		
	LIABILITIES		TL	FC	Total
I.	**DEPOSITS**	II-a	**3.516.584**	**5.411.531**	**8.928.115**
1.1	Deposits of Bank's Risk Group		31.613	55.179	86.792
1.2	Other		3.484.971	5.356.352	8.841.323
II.	**TRADING DERIVATIVE FINANCIAL LIABILITIES**	II-b	**78.884**	**91.050**	**169.934**
III.	**BORROWINGS**	II-c	**37.019**	**4.180.886**	**4.217.905**
IV.	**MONEY MARKETS**		**1.206**	**198.953**	**200.159**
4.1	Funds from Interbank Money Market		-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		-	-	-
4.3	Funds Provided Under Repurchase Agreements		1.206	198.953	200.159
V.	**MARKETABLE SECURITIES ISSUED (Net)**	II-d	-	-	-
5.1	Bills		-	-	-
5.2	Asset Backed Securities		-	-	-
5.3	Bonds		-	-	-
VI.	**FUNDS**		-	-	-
6.1	Borrower Funds		-	-	-
6.2	Other		-	-	-
VII.	**MISCELLANEOUS PAYABLES**		**40.147**	**232.644**	**272.791**
VIII.	**OTHER LIABILITIES**	II-e	**49.352**	**4.508**	**53.860**
IX.	**FACTORING PAYABLES**		-	-	-
X.	**LEASE PAYABLES (Net)**	II-f	-	-	-
10.1	Financial Lease Payables		-	-	-
10.2	Operational Lease Payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-
XI.	**HEDGING DERIVATIVE FINANCIAL LIABILITIES**	II-g	**40.807**	**12.560**	**53.367**
11.1	Fair Value Hedge		-	-	-
11.2	Cash Flow Hedge		40.807	12.560	53.367
11.3	Foreign Net Investment Hedge		-	-	-
XII.	**PROVISIONS**	II-h	**103.627**	**89.083**	**192.710**
12.1	General Loan Loss Provision		42.716	64.850	107.566
12.2	Restructuring Provisions		-	-	-
12.3	Reserve for Employee Rights		33.084	-	33.084
12.4	Insurance Technical Provisions (Net)		-	-	-
12.5	Other Provisions		27.827	24.233	52.060
XIII.	**TAX LIABILITY**	II-i	**65.411**	-	**65.411**
13.1	Current Tax Liability		31.930	-	31.930
13.2	Deferred Tax Liability		33.481	-	33.481
XIV.	**PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)**	II-j	-	-	-
14.1	Held for Resale		-	-	-
14.2	Discontinued Operations		-	-	-
XV.	**SUBORDINATED LOANS**	II-k	-	**1.140.582**	**1.140.582**
XVI.	**SHAREHOLDERS' EQUITY**	II-l	**1.506.245**	**6.230**	**1.512.475**
16.1	Paid-in Capital		1.185.000	-	1.185.000
16.2	Capital Reserves		46.635	6.230	52.865
16.2.1	Share Premium		-	-	-
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Marketable Securities Valuation Reserve		(2.366)	(143)	(2.509)
16.2.4	Tangible Assets Revaluation Reserve		18.075	-	18.075
16.2.5	Intangible Assets Revaluation Reserve		-	-	-
16.2.6	Investment Property Revaluation Reserve		-	-	-
16.2.7	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-
16.2.8	Hedging Reserves (Effective portion)		33.883	6.373	40.256
16.2.9	Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-
16.2.10	Other Capital Reserves		(2.957)	-	(2.957)
16.3	Profit Reserves		164.762	-	164.762
16.3.1	Legal Reserves		21.342	-	21.342
16.3.2	Status Reserves		-	-	-
16.3.3	Extraordinary Reserves		143.420	-	143.420
16.3.4	Other Profit Reserves		-	-	-
16.4	Income or (Loss)		109.848	-	109.848
16.4.1	Prior Years' Income/ (Loss)		-	-	-
16.4.2	Current Year Income/ (Loss)		109.848	-	109.848
	TOTAL EQUITY AND LIABILITIES		**5.439.282**	**11.368.027**	**16.807.309**

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

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

BURGAN BANK A.Ş.

UNCONSOLIDATED OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017

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

II.	OFF-BALANCE SHEET	Note (Section Five)	(31/12/2018) TL	(31/12/2018) FC	(31/12/2018) Total	(31/12/2017) TL	(31/12/2017) FC	(31/12/2017) Total
A.	**OFF-BALANCE SHEET COMMITMENTS (I+II+III)**		**6.589.188**	**34.330.411**	**40.919.599**	**6.645.802**	**30.744.933**	**37.390.735**
I.	**GUARANTEES AND WARRANTIES**	**III-a-2-3**	**597.086**	**1.722.881**	**2.319.967**	**759.513**	**1.359.136**	**2.118.649**
1.1	Letters of Guarantee		596.675	1.089.509	1.686.184	756.055	983.997	1.740.052
1.1.1	Guarantees Subject to State Tender Law		10.249	3.643	13.892	7.251	4.124	11.375
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		586.426	1.085.866	1.672.292	748.804	979.873	1.728.677
1.2	Bank Acceptances		411	102.926	103.337	3.430	104.336	107.766
1.2.1	Import Letter of Acceptance		411	102.926	103.337	3.430	104.336	107.766
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	385.116	385.116	-	234.673	234.673
1.3.1	Documentary Letters of Credit		-	385.116	385.116	-	234.673	234.673
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	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		-	-	-	28	-	28
1.8	Other Guarantees		-	145.330	145.330	-	36.130	36.130
1.9	Other Collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**	**III-a-1**	**449.255**	**299.806**	**749.061**	**566.692**	**143.459**	**710.151**
2.1	Irrevocable Commitments		449.255	299.806	749.061	566.692	143.459	710.151
2.1.1	Asset Purchase and Sales Commitments		257.670	299.806	557.476	48.824	143.459	192.283
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	14.997	-	14.997
2.1.4	Commitments for Loan Limits		117.343	-	117.343	149.606	-	149.606
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		74.242	-	74.242	334.480	-	334.480
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		-	-	-	18.777	-	18.777
2.1.10	Promotion Commitments for Credit Cards and Banking Services		-	-	-	8	-	8
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		-	-	-	-	-	-
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**III-b**	**5.542.847**	**32.307.724**	**37.850.571**	**5.319.597**	**29.242.338**	**34.561.935**
3.1	Hedging Derivative Financial Instruments		970.803	3.192.279	4.163.082	790.978	2.357.639	3.148.617
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		970.803	3.192.279	4.163.082	790.978	2.357.639	3.148.617
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		4.572.044	29.115.445	33.687.489	4.528.619	26.884.699	31.413.318
3.2.1	Forward Foreign Currency Buy/Sell Transactions		758.167	665.301	1.423.468	776.137	1.127.092	1.903.229
3.2.1.1	Forward Foreign Currency Transactions-Buy		124.973	533.112	658.085	467.722	489.075	956.797
3.2.1.2	Forward Foreign Currency Transactions-Sell		633.194	132.189	765.383	308.415	638.017	946.432
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		1.586.276	23.171.073	24.757.349	1.324.656	19.710.327	21.034.983
3.2.2.1	Foreign Currency Swap-Buy		1.152.608	4.555.379	5.707.987	298.885	4.998.204	5.297.089
3.2.2.2	Foreign Currency Swap-Sell		433.668	5.051.590	5.485.258	1.025.771	4.321.733	5.347.504
3.2.2.3	Interest Rate Swap-Buy		-	6.782.052	6.782.052	-	5.195.195	5.195.195
3.2.2.4	Interest Rate Swap-Sell		-	6.782.052	6.782.052	-	5.195.195	5.195.195
3.2.3	Foreign Currency, Interest rate and Securities Options		2.227.601	5.279.071	7.506.672	2.427.826	6.047.280	8.475.106
3.2.3.1	Foreign Currency Options-Buy		528.333	3.150.835	3.679.168	1.259.407	2.980.038	4.239.445
3.2.3.2	Foreign Currency Options-Sell		1.699.268	2.128.236	3.827.504	1.168.419	3.067.242	4.235.661
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
3.3	Other		-	-	-	-	-	-
B.	**CUSTODY AND PLEDGES RECEIVED (IV+V+VI)**		**37.036.009**	**43.505.919**	**80.541.928**	**34.296.351**	**26.361.559**	**60.657.910**
IV.	**ITEMS HELD IN CUSTODY**		**797.062**	**385.612**	**1.182.674**	**1.552.890**	**156.878**	**1.709.768**
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		104.449	182.180	286.629	402.489	61.908	464.397
4.3	Cheques Received for Collection		673.437	83.592	757.029	1.126.344	63.782	1.190.126
4.4	Commercial Notes Received for Collection		19.176	22.820	41.996	24.057	23.000	47.057
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	97.020	97.020	-	8.188	8.188
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGES RECEIVED**		**36.238.947**	**43.120.307**	**79.359.254**	**32.743.461**	**26.203.434**	**58.946.895**
5.1	Marketable Securities		56.132	-	56.132	1.031	-	1.031
5.2	Guarantee Notes		22.275.449	17.248.376	39.523.825	21.097.082	12.190.553	33.287.635
5.3	Commodity		886.897	660.754	1.547.651	1.022.137	7.706	1.029.843
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		11.509.609	20.785.740	32.295.349	9.986.136	11.113.311	21.099.447
5.6	Other Pledged Items		1.510.860	4.425.437	5.936.297	637.075	2.891.864	3.528.939
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		-	-	-	-	**1.247**	**1.247**
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**43.625.197**	**77.836.330**	**121.461.527**	**40.942.153**	**57.106.492**	**98.048.645**

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 INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2018

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

II.	**INCOME STATEMENT** **INCOME AND EXPENSE ITEMS**	**Note (Section Five)**	**01/01/2018-31/12/2018**
I.	**INTEREST INCOME**	**IV-a**	**2.367.511**
1.1	Interest on loans		1.657.766
1.2	Interest received from reserve deposits		38.792
1.3	Interest received from banks		78.534
1.4	Interest received from money market transactions		76.599
1.5	Interest received from marketable securities portfolio		48.146
1.5.1	Financial assets at fair value through profit or loss		1.318
1.5.2	Financial assets at fair value through other comprehensive income		36.104
1.5.3	Financial assets measured at amortized cost		10.724
1.6	Finance lease income		-
1.7	Other interest income	IV-l	467.674
II.	**INTEREST EXPENSES (-)**	**IV-b**	**1.729.772**
2.1	Interest on deposits		1.008.265
2.2	Interest on funds borrowed		282.136
2.3	Interest on money market transactions		8.367
2.4	Interest on securities issued		-
2.5	Other interest expenses	IV-l	431.004
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**637.739**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**28.157**
4.1	Fees and commissions received		42.958
4.1.1	Non-cash loans		23.474
4.1.2	Other	IV-l	19.484
4.2	Fees and commissions paid (-)		14.801
4.2.1	Non-cash loans (-)		58
4.2.2	Other (-)	IV-l	14.743
V.	**PERSONNEL EXPENSES (-)**		**165.196**
VI.	**DIVIDEND INCOME**	**IV-c**	**700**
VII.	**TRADING PROFIT/LOSS (Net)**	**IV-d**	**66.378**
7.1	Profit/losses from capital market transactions		2.328
7.2	Profit/losses from derivative financial transactions		1.132
7.3	Foreign exchange profit/losses		62.918
VIII.	**OTHER OPERATING INCOME**	**IV-e**	**16.491**
IX.	**GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)**		**584.269**
X.	**ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)**	**IV-f**	**239.076**
XI.	**OTHER OPERATING EXPENSES (-)**	**IV-g**	**179.668**
XII.	**NET OPERATING PROFIT/LOSS (IX-X-XI)**		**165.525**
XIII.	**SURPLUS WRITTEN AS GAIN AFTER MERGER**		**-**
XIV.	**PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES**		**33.668**
XV.	**NET MONETORY POSITION GAIN/LOSS**		**-**
XVI.	**PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)**	**IV-h**	**199.193**
XVII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**	**IV-i**	**(37.434)**
17.1	Current tax provision		-
17.2	Expense effect of deferred tax (+)		129.614
17.3	Income effect of deferred tax (-)		92.180
XVIII.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)**	**IV-j**	**161.759**
XIX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**
19.1	Income from assets held for sale		-
19.2	Profit from sale of associates, subsidiaries and joint ventures		-
19.3	Other income from discontinued operations		-
XX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**
20.1	Expenses on assets held for sale		-
20.2	Losses from sale of associates, subsidiaries and joint ventures		-
20.3	Other expenses from discontinued operations		-
XXI.	**PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)**		**-**
XXII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		**-**
22.1	Current tax provision		-
22.2	Expense effect of deferred tax (+)		-
22.3	Income effect of deferred tax (-)		-
XXIII.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)**		**-**
XXIV.	**NET PROFIT/LOSSES (XVIII+XXIII)**	**IV-k**	**161.759**
24.1	Group`s profit/loss		161.759
24.2	Minority shares		-
	Profit/Loss per share (1.000 nominal in TL full)		1,173

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

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

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

BURGAN BANK A.Ş.
UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2017

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

III.	**INCOME STATEMENT** **INCOME AND EXPENSE ITEMS**	**Note (Section Five)**	**01/01/2017-31/12/2017**
I.	**INTEREST INCOME**	**IV-a**	**1.445.845**
1.1	Interest on Loans		1.132.453
1.2	Interest Received from Reserve Requirements		20.438
1.3	Interest Received from Banks		25.248
1.4	Interest Received from Money Market Transactions		3.152
1.5	Interest Received from Marketable Securities Portfolio		39.338
1.5.1	Trading Financial Assets		2.709
1.5.2	Financial Assets at Fair Value through Profit or Loss		-
1.5.3	Available-for-sale Financial Assets		29.327
1.5.4	Held-to-maturity Investments		7.302
1.6	Financial Lease Income		-
1.7	Other Interest Income	IV-l	225.216
II.	**INTEREST EXPENSE (-)**	**IV-b**	**1.002.944**
2.1	Interest on Deposits		567.753
2.2	Interest on Funds Borrowed		154.908
2.3	Interest Expense on Money Market Transactions		12.660
2.4	Interest on Securities Issued		-
2.5	Other Interest Expenses	IV-l	267.623
III.	**NET INTEREST INCOME (I + II)**		**442.901**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**31.016**
4.1	Fees and Commissions Received		39.499
4.1.1	Non-cash Loans		18.450
4.1.2	Other	IV-l	21.049
4.2	Fees and Commissions Paid (-)		8.483
4.2.1	Non-cash Loans (-)		40
4.2.2	Other (-)	IV-l	8.443
V.	**DIVIDEND INCOME**	**IV-c**	**328**
VI.	**TRADING INCOME/(LOSS) (Net)**	**IV-d**	**17.448**
6.1	Trading Gains/(Losses) on Securities		4.079
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		18.387
6.3	Foreign Exchange Gains/(Losses)		(5.018)
VII.	**OTHER OPERATING INCOME**	**IV-e**	**14.607**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**506.300**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**IV-f**	**82.500**
X.	**OTHER OPERATING EXPENSES (-)**	**IV-g**	**301.299**
XI.	**NET OPERATING INCOME/(LOSS) (VIII+IX+X)**		**122.501**
XII.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		-
XIII.	**INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		**17.168**
XIV.	**INCOME/(LOSS) ON NET MONETARY POSITION**		**-**
XV.	**INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+…+XIV)**	**IV-h**	**139.669**
XVI.	**TAX PROVISION FOR CONTINUING OPERATIONS (-)**	**IV-i**	**29.821**
16.1	Current Tax Provision		14.431
16.2	Deferred Tax Provision		15.390
XVII.	**NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV+XVI)**	**IV-j**	**109.848**
XVII.	**INCOME FROM DISCONTINUED OPERATIONS**		-
18.1	Income from Non-Current Assets Held for Resale		-
18.2	Sale Income from Associates, Subsidiaries and Joint Ventures		-
18.3	Other Income from Discontinued Operations		-
XIX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-
19.1	Expense from Non-Current Assets Held for Resale		-
19.2	Sale Losses from Associates, Subsidiaries and Joint Ventures		-
19.3	Other Expenses from Discontinued Operations		-
XX.	**INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII+XIX)**		-
XXI.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (-)**		-
21.1	Current tax provision		-
21.2	Deferred tax provision		-
XXII.	**NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX+XXI)**		-
XXII.	**NET INCOME/(LOSS) (XVII+XXII)**	**IV-k**	**109.848**
	Earnings/(Loss) per share (1.000 nominal in TL full)		1,219

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

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

BURGAN BANK A.Ş.
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018

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

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

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

BURGAN BANK A.Ş.
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

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

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

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	CURRENT 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			Other comprehensive income to be reclassified to profit or loss			Profit Reserves	Prior Period Profit or Loss	Current Period Net Income or Loss	Total Sharehoolders' Equity
							1	2	3	4	5	6				
I.	**Prior Period End Balance (31/12/2017)**	**II-l**	**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**

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

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

BURGAN BANK A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

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

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

BURGAN BANK A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VI.	CASH FLOW STATEMENT	Note (Section Five)	Current Period 31/12/2018
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**		**(389.384)**
1.1.1	Interest Received		2.188.111
1.1.2	Interest Paid		(1.670.989)
1.1.3	Dividend Received		700
1.1.4	Fees and Commissions Received		35.770
1.1.5	Other Income		-
1.1.6	Collections from Previously Written-off Loans and Other Receivables		274.323
1.1.7	Payments to Personnel and Service Suppliers		165.196
1.1.8	Taxes Paid		(7.696)
1.1.9	Other	VI-b	(1.374.799)
1.2	**Changes in Operating Assets and Liabilities**		**1.168.558**
1.2.1	Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(7.108)
1.2.2	Net (Increase)/Decrease in Due from Banks and Other Financial Institutions		436.626
1.2.3	Net (Increase)/Decrease in Loans		(883.619)
1.2.4	Net (Increase)/Decrease in Other Assets		(277.055)
1.2.5	Net (Increase)/Decrease in Bank Deposits		1.222
1.2.6	Net Increase/(Decrease) in Other Deposits		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		525.541
1.2.9	Net Increase/(Decrease) in Payables		-
1.2.10	Net Increase/(Decrease) in Other Liabilities	VI-b	271.383
I.	**Net Cash Provided from Banking Operations**		**779.174**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net Cash Provided from Investing Activities**		**(109.733)**
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		(2.774)
2.4	Disposals of Property and Equipment		8.146
2.5	Cash Paid for Purchase of Investments Available-for-Sale		(152.514)
2.6	Cash Obtained from Sale of Investments Available-for-Sale		37.409
2.7	Cash Paid for Purchase of Investment Securities		-
2.8	Cash Obtained from Sale of Investment Securities		-
2.9	Other		-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net Cash Provided from Financing Activities**		**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**		**166.117**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)**		**1.185.558**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**VI-a**	**1.236.153**
VII.	**Cash and Cash Equivalents at end of the Period**	**VI-a**	**2.421.711**

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

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

BURGAN BANK A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VI.	CASH FLOW STATEMENT	Note (Section Five)	Prior Period 31/12/2017
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**		**163.984**
1.1.1	Interest Received		1.356.614
1.1.2	Interest Paid		(949.841)
1.1.3	Dividend Received		328
1.1.4	Fees and Commissions Received		31.885
1.1.5	Other Income		-
1.1.6	Collections from Previously Written-off Loans and Other Receivables		59.567
1.1.7	Payments to Personnel and Service Suppliers		(146.315)
1.1.8	Taxes Paid	VI-b	(22.125)
1.1.9	Other		(166.129)
1.2	**Changes in Operating Assets and Liabilities**		**(79.352)**
1.2.1	Net (Increase)/Decrease in Trading Securities		7.323
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-
1.2.3	Net (Increase)/Decrease in Due from Banks		(20.727)
1.2.4	Net (Increase)/Decrease in Loans		(2.607.496)
1.2.5	Net (Increase)/Decrease in Other Assets		2.855
1.2.6	Net Increase/(Decrease) in Bank Deposits		36.829
1.2.7	Net Increase/(Decrease) in Other Deposits		555.934
1.2.8	Net Increase/(Decrease) in Funds Borrowed		2.066.706
1.2.9	Net Increase/(Decrease) in Payables	VI-b	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		(120.776)
I.	**Net Cash Provided from Banking Operations**		**84.632**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net Cash Provided from Investing Activities**		**251.052**
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		(6.025)
2.4	Disposals of Property and Equipment		12.977
2.5	Cash Paid for Purchase of Investments Available-for-Sale		(105.204)
2.6	Cash Obtained from Sale of Investments Available-for-Sale		349.304
2.7	Cash Paid for Purchase of Investment Securities		-
2.8	Cash Obtained from Sale of Investment Securities		-
2.9	Other		-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net Cash Provided from Financing Activities**		**285.000**
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		285.000
3.4	Dividends Paid		-
3.5	Payments for Finance Leases		-
3.6	Other		-
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**(18.947)**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)**		**601.737**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**VI-a**	**634.416**
VII.	**Cash and Cash Equivalents at end of the Period**	**VI-a**	**1.236.153**

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

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

BURGAN BANK A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT APPROPRIATION AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017

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

VII.	PROFIT APPROPRIATION STATEMENT	(31/12/2018) (*)	(31/12/2017) (**)
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	CURRENT YEAR INCOME	199.193	139.669
1.2	TAXES AND DUTIES PAYABLE (-)	37.434	29.821
1.2.1	Corporate Tax (Income tax)	-	14.431
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	37.434	15.390
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	161.759	**109.848**
1.3	PRIOR YEAR LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	-	**109.848**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Privileged Shares	-	-
1.6.3	To Owners of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUTORY RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	108.435
1.13	OTHER RESERVES	-	1.413
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF ORDINARY SHARES	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) TL 33.668 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 30 March 2017, TL 17.168 includes the effects of TAS 27 standard.

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

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 notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention as modified in accordance with inflation adjustments until 31 December 2004, except for the financial assets, liabilities and buildings which are carried at fair value.

The amounts in the unconsolidated financial statements and notes related to unconsolidated 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 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 accounting period after the date of 31 December 2018. According to this standard, difference between operational lease and financial lease disappeared so that all leasing transactions will be recognized as right-of-use assets and corresponding liability.

The standard will be effective from the periods beginning on or after 1 January 2019 and the Bank's adoption process regarding the mentioned amendments continues as of the reporting date. As of 1 January 2019, The Bank does not expect any significant impact on financials.

The Bank will apply this standard from 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 (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"). In accordance with the transition rules of IFRS 9, the prior period financial statements and notes are not restated. Accounting policies and valuation principles used for 2018 and 2017 are separately presented in the following notes; The accounting policies for 2017 are included in note XXX. Impacts of the transition to IFRS 9 and its adoption are disclosed in note XXIX.

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 IFRS 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 Bank A.Ş. and its subsidiaries which are Burgan Yatırım Menkul Değerler A.Ş., Burgan Wealth Limited Dubai, and Burgan Finansal Kiralama A.Ş., 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.

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

If the functional currency of the Group is different from its reporting currency, all assets and liabilities in the reporting currency are translated using the foreign exchange rate at the balance sheet date, and 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 2018 and 31 December 2017.

EXPLANATIONS ON ACCOUNTING POLICIES (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 IFRS 9 principles. Derivative transactions are recorded in accordance with their fair value on the contract date. Also, liabilities and receivables arising from derivative instruments are followed in the off-balance sheet accounts from their contractual values.

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

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

As of 31 December 2018, The 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 IFRS 9, on the financial statements under equity "Accumulated other comprehensive income or expense to be reclassified through profit or loss", whereas the amount concerning ineffective parts is associated with the income statement.

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

EXPLANATIONS ON ACCOUNTING POLICIES (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.

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 IFRS 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.

EXPLANATIONS ON ACCOUNTING POLICIES (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, they 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.

EXPLANATIONS ON ACCOUNTING POLICIES (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 IFRS 9. In this context, as of 31 December 2017, the credit loss allowance method within the framework of the BRSA's related legislation has been changed to the loss allowance for expected credit losses model with the implementation of IFRS 9. The predictions of expected credit loss forecasts include credible information which is objective, probability-weighted, supportable about past events, current conditions, and forecasts of future economic conditions.

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

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

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

The 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 (Continued):

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES:

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

Stage 1:

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

Stage 2:

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is accounted 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 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 (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.

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

b. Other intangible assets

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

Intangibles are amortized over their estimated useful lives using the straight-line 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 (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 ("TAS 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.

Where the carrying amount of an asset is greater than its estimated "Recoverable amount", it is written down to its "Recoverable amount" and the provision for 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 Bank does not provide financial leasing services as a "Lessor".

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

EXPLANATIONS ON ACCOUNTING POLICIES (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 income statement 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 Income and Expense Items Accounted in Equity" and presented in "Other Reserves" item in the Shareholders Equity section.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XVIII. EXPLANATIONS ON TAXATION:

a. Current tax:

Many clauses of Corporate Tax Law No.5520 which are valid starting from 1 January 2006, was taken into effect after being published in the Official Gazette dated 21 June 2006 No. 26205. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 22% for 2018 (2017: 20%). The corporate tax rate is 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 (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:

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

XXIII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (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 2018	**31 December 2017**
Net Income/(Loss) to be Appropriated to Ordinary Shareholders	161.759	109.848
Weighted Average Number of Issued Ordinary Shares (Thousand)	137.845.277	90.078.082
Earnings Per Ordinary Shares (Disclosed as 1.000 nominal in full TL)	**1,173**	**1,219**

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:

None.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIX. DISCLOSURES OF IFRS 9 FINANCIAL INSTRUMENTS STANDARD:

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

Classification and measurement of financial assets:

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

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

For the purposes of this assessment; "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. When making this assessment the Bank considers the events that can alter the amount and timing of cash flows, product specific leverage features, prepayment and extension terms, terms that limit the Bank's claim to cash flows from specified assets and the features that modify consideration for the time value of money.

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

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

Explanations of the effects from the Bank's application of IFRS 9 is presented below

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

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

a. Classification and measurement of financial assets:

	Before IFRS 9		In Scope of IFRS 9	
		Book Value		Book Value
Financial Assets	Measurement Bases	31 December 2017	Measurement Bases	1 January 2018
Cash and Balances with Central Bank	Measured at amortized cost	2.027.327	Measured at amortized cost	2.027.327
Banks and Money Markets	Measured at amortized cost	157.317	Measured at amortized cost	157.317
Marketable Securities	Fair value through profit or loss	5.441	Fair value through profit or loss	5.441
Marketable Securities	Fair value through other comprehensive income	251.592	Fair value through other comprehensive income	251.592
Marketable Securities	Measured at amortized cost	171.218	Measured at amortized cost	171.218
Derivative Financial Assets	Fair value through profit or loss	421.292	Fair value through profit or loss	421.292
Loans (Gross)	Measured at amortized cost	13.444.836	Measured at amortized cost	13.444.836

During the Bank's transition to IFRS 9 no changes have been made in the classification and measurement of financial assets in the 1 January 2018 initial financial statements under the framework of cash flow features related to the business model and the contract. Since their previous categories under TAS 39 are "put out of use", without any adjustments, the financial assets that are classified as Trading, "Available-for-sale" and "Held-to-maturity" are now classified as "Fair value through profit or loss", "Fair value through other comprehensive income" and "Measured at amortized cost" respectively under IFRS 9 as of 1 January 2018.

b. Reconciliation of statement of financial position balances transition to IFRS 9:

There is no classification implemented on the current financial asset portfolios of the Bank. However, the "Cash and Cash Equivalents" account which is used on financial statements as of 1 January 2018 includes the combination of "Cash and Balances at Central Bank", "Banks" and "Receivables from Money Markets" accounts which were presented separately in the 31 December 2017 financial statements. Furthermore, the "Other Liabilities" account, effective on financial statements as of 1 January 2018, includes the combination of "Miscallenous Payables" and "Other Foreign Liabilities" accounts, which were presented separately on the 31 December 2017 financial statements.

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

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

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

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

	Book value before IFRS 9 31 December 2017	**Remeasurements**	**Book value after IFRS 9 1 January 2018**
Loans	**327.789**	**195.074**	**522.863**
Stage 1	94.018	(40.664)	53.354
Stage 2	10.911	271.788	282.699
Stage 3	182.305	4.505	186.810
Other (*)	40.555	(40.555)	-
Financial assets	**471**	**65**	**536**
Non-cash loans	**6.465**	**15.940**	**22.405**
Stage 1 and 2	2.165	15.953	18.118
Stage 3	4.300	(13)	4.287
Total	**334.725**	**211.079**	**545.804**

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

d. Effects on equity with IFRS 9 transition:

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

The expense directional difference between the provision for impairment of the previous period of the Bank together with the general provisions for loans and other receivables of the Bank, and the new expected credit losses measured in accordance with the predicted IFRS 9 impairment model as of 1 January 2018, netted off from deferred tax income and corporate tax amounting to TL 140.978 and the expense directional difference arising from the effects of TAS 27 amounting to TL 33.365 is classified in equity under the "Prior Year's Profits or Losses" account.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

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

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017, for general provisions (IFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of 1 January 2018. Under this framework, deferred tax assets amounting to TL 69.113 has been reflected to the opening financials of 1 January 2018 and the related amount has been classified under "Prior Year's Profits or Losses" in shareholders' equity. For the specific provisions (IFRS 9 expected loss provisions for third stage loans), which have been cancelled due to IFRS 9 transition, corporate tax liability amounting to TL 988 is classified under "Prior Year's Profits or Losses" in equity as of 1 January 2018.

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

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

1. Explanations On Interest Income and Expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method. The Bank ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no income is accounted until the collection is made according to the related regulation.

2. Explanations On Financial Assets:

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

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

This category has two subcategories: "Trading financial assets" and "Financial assets designated at fairvalue through profit/loss at initial recognition".

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

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. All gains and losses arising from these evaluations are recognised in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

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

b. Held-to-maturity financial assets:

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

Interest income earned from held-to-maturity financial assets is reflected to the statement of income. The Bank does not have financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to breach of classification principles.

c. Loans and receivables:

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

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette No.26333 dated 1 November 2006. In this context, the revised credit risk, general structure of the current loan portfolio, financial conditions of the customers, non-financial information and economic conjuncture on the basis of the prudence principle are taken into consideration by the Bank in determining the estimates.

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

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

d. Available-for-sale financial assets:

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

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

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

3. Explanations On Impairment of Financial Assets:

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

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

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

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION 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 2018 Bank's total capital has been calculated as TL 3.485.544 (31 December 2017: TL 2.650.685) and the Capital adequacy ratio is 20,74% (31 December 2017: 19,60%).

a. Information about total capital:

	Current Period 31 December 2018	Amounts related to treatment before 1/1/2014 (*)	Prior Period 31 December 2017	Amounts related to treatment before 1/1/2014 (*)
COMMON EQUITY TIER 1 CAPITAL				
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.535.000		1.185.000	
Share issue premiums	-		-	
Legal Reserves	273.098		164.946	
Gains recognized in equity as per TAS	235.406		60.036	
Profit	161.759		109.848	
Current Period Profit	161.759		109.848	
Prior Period Profit	-		-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-		-	
Common Equity Tier 1 Capital Before Deductions	**2.205.263**		**1.519.830**	
Deductions from Common Equity Tier 1 Capital	-		-	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-		-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	200.373		7.355	
Improvement costs for operating leasing	17.087		15.642	
Goodwill (net of related tax liability)	-		-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	43.876	43.876	35.918	44.897
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	81.216		40.256	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total 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	**342.552**		**99.171**	
Total Common Equity Tier 1 Capital	**1.862.711**		**1.420.659**	

(*) 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.

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

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

I. EXPLANATIONS ON EQUITY (Continued):

a. Information about total capital (Continued):

	Current Period 31 December 2018	Amounts related to treatment before 1/1/2014 (*)	Prior Period 31 December 2017	Amounts related to treatment before 1/1/2014 (*)
ADDITIONAL TIER I CAPITAL				
Preferred Stock not Included in Common Equity and the Related Share Premiums	-		-	
Debt instruments and premiums approved by BRSA	-		-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-		-	
Additional Tier I Capital before Deductions	-		-	
Deductions from Additional Tier I Capital	-		-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-		-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-		-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-		-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-		-	
Other items to be defined by the BRSA	-		-	
Transition from the Core Capital to Continue to deduce Components	-		-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Eguity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		8.979	
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)	**1.862.711**		**1.411.680**	
TIER II CAPITAL	-		-	
Debt instruments and share issue premiums deemed suitable by the BRSA	1.425.870		1.131.570	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-		-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	197.443		107.566	
Tier II Capital Before Deductions	1.623.313		1.239.136	
Deductions From Tier II Capital	-			
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-			
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	480		131	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-			
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-			
Other items to be defined by the BRSA (-)	-			
Total Deductions from Tier II Capital	**480**		**131**	
Total Tier II Capital	**1.622.833**		**1.239.005**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**3.485.544**		**2.650.685**	
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 (-)	-		-	

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

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

I. EXPLANATIONS ON EQUITY (Continued):

a. Information about total capital (Continued):

	Current Period 31 December 2018	Amounts related to treatment before 1/1/2014 (*)	Prior Period 31 December 2017	Amounts related to treatment before 1/1/2014 (*)
TOTAL CAPITAL				
Total Capital	3.485.544		2.650.685	
Total risk weighted amounts	16.808.918		13.526.423	
Capital Adequacy Ratios				
Core Capital Adequacy Ratio (%)	11,08		10,50	
Tier 1 Capital Adequacy Ratio (%)	11,08		10,44	
Capital Adequacy Ratio (%)	20,74		19,60	
BUFFERS				
Total buffer requirement (a+b+c)	1,875		1,250	
a.Capital conservation buffer requirement (%)	1,875		1,250	
b.Bank specific counter-cyclical buffer requirement (%)	-		-	
c. 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	6,58		6,00	
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	-		-	
Limits related to provisions considered in Tier II calculation	158.416		17.587	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)				
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	424.885		107.566	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	197.443		107.566	
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	-		-	

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

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

I. EXPLANATIONS ON EQUITY (Continued):

b. Information on instruments related to equity estimation

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

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

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

I. EXPLANATIONS ON EQUITY (Continued):

c. Information related to the IFRS 9 transition process:

	T	T-1	T-2	T-3	T-4
EQUITY ITEMS					
Common Equity Tier 1 Capital	1.862.711	1.830.484	1.798.256	1.766.029	1.733.801
Common Equity Tier 1 Capital Without the Implementation of the Transition Process	1.733.801	1.733.801	1.733.801	1.733.801	1.733.801
Tier 1 Capital	1.862.711	1.830.484	1.798.256	1.766.029	1.733.801
Tier 1 Capital Without the Implementation of the Transition Process	1.733.801	1.733.801	1.733.801	1.733.801	1.733.801
Equity	3.485.544	3.485.544	3.485.544	3.485.544	3.485.544
Equity Without the Implementation of the Transition Process	3.485.544	3.485.544	3.485.544	3.485.544	3.485.544
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	16.808.918	16.808.918	16.808.918	16.808.918	16.808.918
CAPITAL ADEQUACY RATIOS					
Common Equity Tier 1 Capital Adequacy Ratio (%)	11,08	10,89	10,70	10,51	10,31
Common Equity Tier 1 Capital Adequacy Ratio Without the Implementation of the Transition Process	10,31	10,31	10,31	10,31	10,31
Tier 1 Capital Adequacy Ratio (%)	11,08	10,89	10,70	10,51	10,31
Tier 1 Capital Adequacy Ratio Without the Implementation of the Transition Process	10,31	10,31	10,31	10,31	10,31
Capital Adequacy Ratio (%)	20,74	20,74	20,74	20,74	20,74
Capital Adequacy Ratio Without the Implementation of the Transition Process	20,74	20,74	20,74	20,74	20,74
LEVERAGE RATIO					
Leverage Ratio Total Risk Amount	25.321.132	25.321.132	25.321.132	25.321.132	25.321.132
Leverage Ratio (%)	7,43	7,23	7,10	6,97	6,92
Leverage Ratio Without the Implementation of the Transition Process	6,92	6,92	6,92	6,92	6,92

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

II. EXPLANATIONS ON CREDİT 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 and loans for covering bank's risks and refinancing loans are evaluated by headquarters and authorized upper management.
- Derivative products' limits cannot be allocated in Brach authorization. Foreign currency loans and counter party / external guarantees cannot be issued by branches.

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

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

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

31 December 2018 **Risk Group**	**Amount**	**Average**
Claims on sovereigns and Central Banks	3.307.678	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**

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

31 December 2017		
Risk Group	**Amount**	**Average**
Claims on sovereigns and Central Banks	2.395.202	2.173.371
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	335	348
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	909.951	1.201.254
Claims on corporates	10.397.637	9.949.840
Claims included in the regulatory retail portfolios	666.441	361.144
Claims secured by residential property	4.438.134	4.030.298
Past due loans	163.356	119.492
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	697.468	688.172
Total	**19.668.524**	**18.523.919**

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.

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

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 76%, 84% (31 December 2017: 66% and 75%) 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 62%, 76% (31 December 2017: 47% and 64%) 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%, 83% (31 December 2017: 64% and 75%) within cash loans in balance sheet and non-cash loans in off-balance sheet.

As of 31 December 2018, the Bank's allocated expected credit losses for loans amounts to TL 424.885 (31 December 2017: TL 107.566 general provision).

a. Information on types of loans and specific provisions:

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**

31 December 2017	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Standard Loans	11.479.486	534.344	6.407	6	12.020.243
Loans under close monitoring	1.044.953	33.465	520	-	1.078.938
Non-performing loans	334.295	8.323	1.271	1.772	345.661
Specific provision (-)	175.691	4.655	1.130	829	182.305
Total	**12.683.043**	**571.477**	**7.068**	**949**	**13.262.537**

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

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 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**

31 December 2017	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Past due 0-30 days	1.025.557	43.440	712	-	1.069.709
Past due 30-60 days	14.176	11.292	152	-	25.620
Past due 60-90 days	41.379	5.092	42	-	46.513
Total	**1.081.112**	**59.824**	**906**	-	**1.141.842**

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

31 December 2018 Moody's Rating	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (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 are rated by Moody's.

31 December 2017 Moody's Rating	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Ba1 (*)	5.310	247.367	171.218	423.895
Total	**5.310**	**247.367**	**171.218**	**423.895**

(*) 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 2018	31 December 2017
Above average (%)	22,51	6,64
Average (%)	53,93	68,07
Below average (%)	19,52	21,49
Not rated (%)	4,04	3,80

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

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 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**

31 December 2017	Corporate Loans	Consumer Loans	Credit Cards	Factoring Receivables	Total
Loans under close monitoring	410.396	10.638	12	-	421.046
Non-performing loans	179.484	837	119	1.258	181.698
Total	**589.880**	**11.475**	**131**	**1.258**	**602.744**

Type of Collaterals	31 December 2018	31 December 2017
Real-estate mortgage	723.646	458.772
Pledge	77.694	12.565
Cash and cash equivalents	350.601	131.407
Total	**1.151.941**	**602.744**

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

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

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

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**	**Total**
31 December 2017																	
Domestic	3.511.977	-	285	-	-	46.962	8.661.811	538.359	4.149.017	163.356	-	-	-	-	-	526.310	17.598.077
EU Countries	-	-	-	-	-	661.399	14	39	-	-	-	-	-	-	-	-	661.452
OECD Countries (**)	-	-	-	-	-	3.608	-	-	-	-	-	-	-	-	-	-	3.608
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	7.932	-	9	-	-	-	-	-	-	-	-	7.941
Other Countries	-	-	-	-	-	132.256	171	18	-	-	-	-	-	-	-	-	132.445
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3.511.977**	**-**	**285**	**-**	**-**	**852.157**	**8.661.996**	**538.425**	**4.149.017**	**163.356**	**-**	**-**	**-**	**-**	**-**	**526.310**	**18.403.523**

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

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.
(**) Includes OECD countries other than EU countries, USA and Canada.

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

g. Risk profile according to sectors and counterparties:

	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	-	-	-	-	-	-	**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
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

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

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 2017	Exposure Categories (*)																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	**-**	**-**	**-**	**-**	**-**	**-**	**31.968**	**2.808**	**3.835**	**1.155**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22.880**	**20.060**	**42.940**
Farming and Stockbreeding	-	-	-	-	-	-	28.792	2.176	2.735	1.131	-	-	-	-	-	-	-	20.805	17.203	38.008
Forestry	-	-	-	-	-	-	11	-	21	24	-	-	-	-	-	-	-	56	-	56
Fishery	-	-	-	-	-	-	3.165	632	1.079	-	-	-	-	-	-	-	-	2.019	2.857	4.876
Manufacturing	**-**	**-**	**6**	**-**	**-**	**-**	**3.116.235**	**52.783**	**819.805**	**48.376**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**912.972**	**3.195.395**	**4.108.367**
Mining and Quarrying	-	-	6	-	-	-	386.452	2.734	205.473	2.258	-	-	-	-	-	-	-	106.609	497.750	604.359
Production	-	-	-	-	-	-	2.122.246	48.774	533.432	46.118	-	-	-	-	-	-	-	800.609	2.011.269	2.811.878
Electricity, Gas and Water	-	-	-	-	-	-	607.537	1.275	80.900	-	-	-	-	-	-	-	-	5.754	686.376	692.130
Construction	**-**	**-**	**-**	**-**	**-**	**-**	**2.278.995**	**9.178**	**1.668.154**	**59.134**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.279.818**	**2.774.779**	**4.054.597**
Services	**-**	**-**	**-**	**-**	**-**	**852.157**	**3.128.631**	**36.784**	**1.509.041**	**50.595**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.684.512**	**3.942.768**	**5.627.280**
Wholesale and Retail Trade	-	-	-	-	-	-	1.100.580	26.571	302.259	32.456	-	-	-	-	-	-	-	574.901	890.932	1.465.833
Hotel, Food and Beverage services	-	-	-	-	-	-	338.337	2.360	816.160	3.500	-	-	-	-	-	-	-	46.316	1.140.844	1.187.160
Transportation and Telecom	-	-	-	-	-	-	373.269	3.372	183.724	6.835	-	-	-	-	-	-	-	170.102	397.098	567.200
Financial Institutions	-	-	-	-	-	852.157	910.708	807	41.078	1.095	-	-	-	-	-	-	-	809.975	995.870	1.805.845
Real Estate and Rental Services	-	-	-	-	-	-	353.286	2.352	146.513	681	-	-	-	-	-	-	-	33.361	488.773	522.134
Self-employment Services	-	-	-	-	-	-	7.621	190	3.467	-	-	-	-	-	-	-	-	10.956	322	11.278
Educational Services	-	-	-	-	-	-	16.730	119	3.221	3.695	-	-	-	-	-	-	-	13.370	10.395	23.765
Health and Social Services	-	-	-	-	-	-	28.100	1.013	12.619	2.333	-	-	-	-	-	-	-	25.531	18.534	44.065
Other	**3.511.977**	**-**	**279**	**-**	**-**	**-**	**106.167**	**436.872**	**148.182**	**4.096**	**-**	**-**	**-**	**-**	**-**	**-**	**526.310**	**3.232.130**	**1.338.209**	**4.570.339**
Total	**3.511.977**	**-**	**285**	**-**	**-**	**852.157**	**8.661.996**	**538.425**	**4.149.017**	**163.356**	**-**	**-**	**-**	**-**	**-**	**-**	**526.310**	**7.132.312**	**11.271.211**	**18.403.523**

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

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

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 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**

31 December 2017	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	1.285	18.457	186.842	36.818	2.241.671
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	272	-	-	-	13
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	173.966	177.651	134.569	12.526	334.761
Claims on corporates	1.003.059	580.011	702.928	1.376.752	4.999.246
Claims included in the regulatory retail portfolios	21.812	17.451	23.125	62.233	413.802
Claims secured by residential property	110.566	124.944	118.972	209.386	3.585.151
Past due loans	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	**1.310.960**	**918.514**	**1.166.436**	**1.697.715**	**11.574.644**

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

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.

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

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

j. Exposures by risk weights:

31 December 2018 Risk Weights	0%	20%	35%	50%	75%	100%	150%	Deductions from Equity
1.Exposures before Credit Risk Mitigation	2.223.791	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.

31 December 2017 Risk Weights	0%	20%	35%	50%	75%	100%	150%	Deductions from Equity
1.Exposures before Credit Risk Mitigation	2.171.513	460.927	662.726	3.242.257	579.312	11.242.100	44.688	131
2. Exposures after Credit Risks Mitigation (*)	3.419.821	477.881	616.719	2.919.381	520.032	10.413.144	36.545	131

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

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

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 2018	**Loans**		**Provisions**	
Major Sectors / Counterparties	**Significant Increase of Credit Risk (Stage 2)**	**Default(Stage 3)**	**Non-Performing (Regulation of provision-Stage 2)**	**Non-Performing (Regulation of provision-Stage 3)**
Agriculture	**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**

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

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 2017	Credits		Provisions	
Major Sectors / Counterparties	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	**6.885**	**3.717**	**37**	**5.730**
Farming and Stockbreeding	6.263	2.960	30	5.132
Forestry	566	21	-	542
Fishery	56	736	7	56
Manufacturing	**131.296**	**344.479**	**3.267**	**82.920**
Mining and Quarrying	14.869	18.008	25	12.611
Production	116.230	326.471	3.242	70.112
Electricity, Gas and Water	197	-	-	197
Construction	**91.281**	**117.873**	**1.151**	**32.147**
Services	**104.968**	**403.767**	**3.782**	**54.373**
Wholesale and Retail Trade	78.248	36.935	340	45.792
Accommodation and Dining	6.279	357.885	3.353	2.779
Transportation and Telecom	9.008	3.210	32	2.173
Financial Institutions	1.267	225	2	172
Real Estate and Rental Services	1.177	264	3	496
Professional Services	827	312	3	827
Educational Services	4.932	350	3	1.237
Health and Social Services	3.230	4.586	46	897
Other	**11.231**	**272.006**	**1.819**	**7.135**
Total	**345.661**	**1.141.842**	**10.056**	**182.305**

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

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

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 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	0	(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.

31 December 2017	Opening Balance	Provision for Period	Write off from Asset	Other Adjustments (*)	Closing Balance
1. Specific Provisions (**)	149.541	119.217	(45.912)	4.314	227.160
2. General Provisions	90.245	9.195	-	8.126	107.566

(*) 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:

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

4. Main components and scope of Risk measurement systems:

Rating is used for corporate and commercial customers while scoring 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 of rating models are 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 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 developments of operational risks based on loss categories and their distribution based on Bank and subsidiaries are included in aforementioned reports.

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

III. EXPLANATIONS ON RISK MANAGEMENT(Continued):

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 and increase in overdue receivables. On the other hand, reverse stress tests towards risk appetite limits through scenario analysis related to concentration index are periodically made.

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

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

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

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

The 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.

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

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 2018:

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

		Risk Weighted Amounts		Minimum Capital Liability
		Current Period	Prior Period	Current Period
		31 December 2018	31 December 2017	31 December 2018
1	Credit risk (excluding counterparty credit risk) (CCR)	15.112.528	12.345.238	1.209.002
2	Standardised approach (SA)	15.112.528	12.345.238	1.209.002
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	682.949	380.220	54.636
5	Standardised approach for counterparty credit risk (SACCR)	682.949	380.220	54.636
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	187.613	115.709	15.009
17	Standardised approach (SA)	187.613	115.709	15.009
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	825.828	685.256	66.066
20	Basic indicator approach	825.828	685.256	66.066
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)**	**16.808.918**	**13.526.423**	**1.344.713**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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	2.746.394	2.746.394	-	-	-	-
Trading Financial Assets	493.921	-	481.231	-	265.525	480
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	194.104	194.469	-	-	-	-
Money Market Placements	-	-	-	-	-	-
Financial Assets Available-for-Sale (net)	388.520	388.605	-	-	-	-
Loans and Receivables	14.085.751	14.479.340	-	-	-	-
Factoring Receivables	7	7	-	-	-	-
Held-to-maturity investments (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	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	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	10.294	10.294	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	113.090	113.090	-	-	-	-
Other Assets	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 IFRS 9 loss provisions in the current period are presented in the related balance sheet entries.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

31 December 2017			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	2.027.327	2.027.327	-	-	-	-
Trading Financial Assets	163.866	-	158.425	-	153.116	131
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	157.317	157.317	-	-	-	-
Money Market Placements	-	-	-	-	-	-
Financial Assets Available-for-Sale (net)	251.592	251.592	96.867	-	-	-
Loans and Receivables	13.262.531	13.262.531	-	-	-	-
Factoring Receivables	6	6	-	-	-	-
Held-to-maturity investments (net)	171.218	171.218	171.218	-	-	-
Investment in Associates (net)	-	-	-	-	-	-
Investment in Subsidiaries (net)	256.972	256.972	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	262.867	-	262.867	-	-	-
Property And Equipment (Net)	55.377	39.735	-	-	-	15.642
Intangible Assets (Net)	45.085	-	-	-	-	45.085
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	-	-	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	45.085	45.085	-	-	-	-
Other Assets	108.066	108.066	-	-	-	-
Total assets	16.807.309	16.319.849	689.377	-	153.116	60.858
Liabilities	-	-	-	-	-	-
Deposits	8.928.115	-	-	-	-	8.928.115
Derivative Financial Liabilities Held for Trading	169.934	-	142.887	-	105.634	27.047
Funds Borrowed	4.217.905	-	-	-	-	4.217.905
Money Markets	200.159	-	200.159	-	-	-
Marketable Securities Issued	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables	272.791	-	-	-	-	272.791
Other Liabilities	53.860	-	-	-	-	53.860
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	53.367	-	-	-	-	53.367
Provisions	192.710	-	-	-	-	192.710
Tax Liability	65.411	-	-	-	-	65.411
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	1.140.582	-	-	-	-	1.140.582
Shareholder's Equity	1.512.475	-	-	-	-	1.512.475
Total liabilities	**16.807.309**	**-**	**343.046**	**-**	**105.634**	**16.464.263**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

	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

	31 December 2017	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	**17.162.342**	16.319.849	-	689.377	153.116
2	Liabilities carrying value amount under regulatory scope of consolidation	**(448.680)**	-	-	(343.046)	(105.634)
3	Total net amount under regulatory scope of consolidation	**16.713.662**	16.319.849	-	346.331	47.482
4	Off-Balance Sheet Amounts	**1.277.694**	1.277.694	-	-	-
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	**527.876**	92.976	-	366.673	68.227
9	Differences due to risk reduction	-	-	-	-	-
10	Risk Amounts	**18.519.232**	17.690.519	-	713.004	115.709

2. 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 held for trading and held for sale financial assets 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, 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.

c. 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):

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

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.

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 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.

iv. 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.

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

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 two week basis and Audit Committee and Board of Directors Risk Committee meetings held on quarterly basis. Issues determined in the framework of second and third 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.

v. 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 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**

	31 December 2017	Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Current Period	**Defaulted exposures**	**Non-defaulted exposures**		
1	Loans	345.661	13.099.181	277.649	13.167.193
2	Debt Securities	-	424.026	1	424.025
3	Off-balance sheet exposures	21.806	2.614.711	6.564	2.629.953
4	**Total**	**367.467**	**16.137.918**	**284.214**	**16.221.171**

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

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 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**

	31 December 2017	
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**250.023**
2	Loans and debt securities that have defaulted since the last reporting period	152.876
3	Returned to non-defaulted status	-
4	Amounts written off (-)	-
5	Other changes	(35.432)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**367.467**

4. Additional disclosures related to credit quality of assets:

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

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

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 IFRS 9. In this context, as of 31 December 2017, the credit loss allowance method within the framework of the BRSA's related legislation has been changed to the loss allowance for expected credit losses model with the implementation of IFRS 9. The predictions of expected credit loss forecasts include credible information which is objective, probability-weighted, supportable about past events, current conditions, and forecasts of future economic conditions.

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

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 follow-up receivables):

		31 December 2018	31 December 2017
1	Domestic	16.252.616	15.364.645
2	European Union Countries	149.205	15.850
3	OECD Countries (*)	-	-
4	Off-shore Banking Regions	-	-
5	USA, Canada	-	-
6	Other Countries	3.904	691
7	Associates, Subsidiaries and Jointly Controlled Entities	-	-
8	Unallocated Assets / Liabilities	-	-
9	Total	**16.405.725**	**15.381.186**

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

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

		31 December 2018	31 December 2017
1	**Agriculture**	**29.918**	**45.857**
2	Farming and Stockbreeding	27.591	40.799
3	Forestry	-	45
4	Fishery	2.327	5.013
5	**Manufacturing**	**4.677.722**	**4.249.695**
6	Mining and Quarrying	926.300	696.885
7	Production	2.891.842	2.860.885
8	Electricity, Gas and Water	859.580	691.925
9	**Construction**	**4.588.368**	**4.289.802**
10	**Services**	**7.109.717**	**4.989.292**
11	Wholesale and Retail Trade	1.628.629	1.511.367
12	Accommodation and Dining	1.479.682	1.164.710
13	Transportation and Telecom	499.455	574.441
14	Financial Institutions	1.094.415	1.114.421
15	Real Estate and Rental Services	460.771	535.828
16	Professional Services	7.202	13.391
17	Educational Services	23.974	24.601
18	Health and Social Services	47.463	50.533
19	Other	1.868.126	1.806.540
20	**Total**	**16.405.725**	**15.381.186**

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

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 follow-up receivables):

31 December 2018	1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Undistributable	Total
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**
31 December 2017							
Cash and Non-cash Loans	2.486.729	1.728.639	3.517.395	6.106.205	1.373.428	168.790	**15.381.186**

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

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

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

		31 December 2018		31 December 2017	
		Non Performing Loan	Special Provision	Non Performing Loan	Special Provision
1	**Agriculture**	**5.382**	**2.906**	**6.885**	**5.730**
2	Farming and Stockbreeding	4.815	2.342	6.263	5.132
3	Forestry	539	539	566	542
4	Fishery	28	25	56	56
5	**Manufacturing**	**156.510**	**65.966**	**131.296**	**82.920**
6	Mining and Quarrying	5.945	3.696	14.869	12.611
7	Production	150.561	62.266	116.230	70.112
8	Electricity, Gas and Water	4	4	197	197
9	**Construction**	**161.676**	**30.692**	**91.281**	**32.147**
10	**Services**	**225.184**	**75.557**	**104.968**	**54.373**
11	Wholesale and Retail Trade	87.006	40.156	78.248	45.792
12	Accommodation and Dining	2.690	1.428	6.279	2.779
13	Transportation and Telecom	76.866	19.214	9.008	2.173
14	Financial Institutions	1.501	279	1.267	172
15	Real Estate and Rental Ser.	51.070	13.118	1.177	496
16	Professional Services	188	56	827	827
17	Educational Services	4.931	1.127	4.932	1.237
18	Health and Social Services	932	179	3.230	897
19	Other	**137.697**	**19.626**	**11.231**	**7.135**
20	**Total**	**686.449**	**194.747**	**345.661**	**182.305**

Provisions allocated for write-offs in receivables amount to TL 249.936, and this amount belongs to domestic receivables. 75% percent of the amount written-off is related to the manufacturing industry while 9% is related to wholesale and retail trade and 16% is related to other sectors.

vii. Aging analysis for overdue receivables.

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

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

Specific and general provision are allocated for restructured receivables and free provision is allocated for miscellaneous risks in accordance with IFRS 9 and the Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") and there is no situation in which no provision is made.

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

d. 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.

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

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 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	-	-	-	-	-	-

	31 December 2017	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	7.838.230	5.328.963	4.038.071	1.247	1.247	-	-
2	Debt securities	424.025	-	-	-	-	-	-
3	**Total**	**8.262.255**	**5.328.963**	**4.038.071**	**1.247**	**1.247**	**-**	**-**
4	Of which defaulted	180.862	-	-	-	-	-	-

e. Credit Risk if the Standard Approach is used

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

Credit Risk if the Standard Approach is used

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

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

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%**

	31 December 2017	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	2.393.128	-	3.509.903	-	437.223	12,5%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	272	63	272	13	285	99,9%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	199.749	113.371	199.748	55.578	102.541	40,2%
7	Exposures to corporates	8.197.033	2.087.104	7.371.908	1.176.588	8.150.458	95,3%
8	Retail exposures	532.669	133.173	491.268	46.558	390.893	72,7%
9	Exposures secured by residential property	648.693	36.490	603.204	13.847	215.852	35,0%
10	Exposures secured by commercial real estate	3.716.428	36.523	3.515.951	16.017	2.404.924	68,1%
11	Past-due loans	163.356	-	163.356	-	168.819	103,3%
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	468.521	228.947	468.521	57.787	474.243	90,1%
17	Equity Invesment	-	-	-	-	-	-
18	**Total**	**16.319.849**	**2.635.671**	**16.324.131**	**1.366.388**	**12.345.238**	**69,8%**

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

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 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**

	31 December 2017 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	3.072.680	-	-	-	-	-	437.223	-	-	**3.509.903**
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	285	-	-	**285**
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	157.550	-	53.489	-	44.287	-	-	**255.326**
7	Exposures to corporates	69.472	-	227.044	-	296.139	-	7.953.564	2.277	-	**8.548.496**
8	Retail exposures	12.639	-	5.199	-	555	519.433	-	-	-	**537.826**
9	Exposures secured by residential property	328	-	4	616.719	-	-	-	-	-	**617.051**
10	Exposures secured by commercial real estate	12.581	-	357	-	2.228.354	-	1.290.676	-	-	**3.531.968**
11	Past-due loans	1	-	-	-	23.343	-	105.744	34.268	-	**163.356**
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	-	-	-	-
17	Other receivables	52.065	-	-	-	-	-	474.243	-	-	**526.308**
18	**Total**	**3.219.766**	**-**	**390.154**	**616.719**	**2.601.880**	**519.433**	**10.306.022**	**36.545**	**-**	**17.690.519**

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

f. 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.

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.

The Bank is not exposed to central counterparty credit risk on non-consolidated basis.

If it is on consolidation basis, there is a minimal central counterparty risk exposure in scope of products offered to customers of Burgan Yatırım A.Ş. Commercial risks and capital requirements are calculated for central counterparty risk and amounts of guarantee fund respectively.

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.

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

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 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**

	31 December 2017	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)					713.004	380.220
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**					**713.004**	**380.220**

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

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 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**

	31 December 2017	**Exposure (After credit risk mitigation methods)**	**Risk Weighted Amounts**
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-
1	(i) Value at risk component (including 3*multiplier)	-	-
2	(ii) Stressed Value at Risk (including 3*multiplier)	-	-
3	All portfolios subject to Standardised CVA capital obligation	713.004	96.353
4	**Total amount of CVA capital adequacy**	**713.004**	**96.353**

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

31 December 2018 **Risk Weights/Risk Classes**	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Other**	**Total credit risk**
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**

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

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 2017									
Risk Weights/Risk Classes	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Other**	**Total credit risk**
Central governments and central banks receivables	-	-	-	-	-	2.074	-	-	**2.074**
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	198.883	-	87.727	309.751	-	470	-	-	**596.831**
Corporate receivables	1.172	-	-	7.750	-	104.578	-	-	**113.500**
Retail receivables	-	-	-	-	599	-	-	-	**599**
Mortgage receivables	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**200.055**	**-**	**87.727**	**317.501**	**599**	**107.122**	**-**	**-**	**713.004**

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

31 December 2017	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - Local Currency	-	-	-	-	1.172	-
Cash - Foreign Currency	-	-	-	-	198.883	-
Government Bonds-Domestic	-	-	-	-	-	-
Government Bonds-Other	-	-	-	-	-	-
Public Institution Bonds	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Guarantees	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**200.055**	**-**

6. Credit derivatives:

None.

7. Risks to Central Counterparty:

The Bank is not exposed to central counterparty credit risk on unconsolidated basis.

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.

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.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

j. Disclosures on Market Risk (continued):

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

2. Market risk under standardised approach

	31 December 2018	**Risk Weighted Asset**
	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**

	31 December 2017	**Risk Weighted Asset**
	Outright products	
1	Interest rate risk (general and specific)	79.062
2	Equity risk (general and specific)	-
3	Foreign exchange risk	36.320
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	327
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**115.709**

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

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 2018 was calculated using the year 2015, 2016, 2017 revenues.

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

31 December 2018	2 Prior Period Value	1 Prior Period	Current Period value	Total / Total number of years for which gross	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**

31 December 2017	2 Prior Period Value	1 Prior Period	Current Period value	Total / Total number of years for which gross	Rate (%)	Total
Gross Income	289.374	384.619	422.416	365.470	15	54.820
Amount subject to operational risk (Total*12,5)	-	-	-	-	-	685.256

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

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

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 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Arithmetic average - 30 days	6,0359 TL	4,5508 TL	5,3010 TL	3,8440 TL

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

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

V. EXPLANATIONS ON CURRENCY RISK (Continued):

Information on currency risk of the Bank:

	EUR	USD	Other FC	Total
31 December 2018				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	508.246	862.358	2.534	1.373.138
Due From Banks	6.566	152.283	32.583	191.432
Financial Assets at Fair Value Through Profit or Loss (*)	49.865	56.271	52	106.188
Interbank Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	11.076	123.211	-	134.287
Loans (*)	5.943.090	3.631.878	3.173	9.578.141
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial Assets Measured at Amortized Cost	-	236.801	-	236.801
Hedging Derivative Financial Assets (*)	223	11.809	-	12.032
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	221	59.137	-	59.358
Total Assets	**6.519.287**	**5.133.748**	**38.342**	**11.691.377**
Liabilities				
Bank Deposits	84.895	8.020	3.479	96.394
Foreign Currency Deposits	1.402.392	4.176.686	158.679	5.737.757
Funds From Interbank Money Market	-	171.306	-	171.306
Funds Borrowed From Other Financial Institutions	647.478	5.251.716	-	5.899.194
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	413.956	412.559	29.420	855.935
Hedging Derivative Financial Liabilities	1.368	9.003	-	10.371
Other Liabilities (*)	24.997	59.614	88	84.699
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**
31 December 2017				
Total Assets (*)	5.374.354	4.403.468	16.122	9.793.944
Total Liabilities (*)	1.562.659	9.534.206	121.675	11.218.540
Net On-balance Sheet Position	**3.811.695**	**(5.130.738)**	**(105.553)**	**(1.424.596)**
Net Off-balance Sheet Position	**(3.780.099)**	**5.138.559**	**100.381**	**1.458.841**
Financial Derivative Assets	1.038.209	8.162.761	457.352	9.658.322
Financial Derivative Liabilities	4.818.308	3.024.202	356.971	8.199.481
Non-Cash Loans (**)	**587.467**	**708.298**	**63.371**	**1.359.136**

(*) The above table shows the Bank's foreign currency net position based on main currencies. Foreign currency indexed assets are classified as Turkish Lira assets in the financial statements according to the Uniform Chart of Accounts. Due to this, foreign currency indexed loans amounting to TL 578.154 (31 December 2017: TL 831.039) classified as Turkish Lira assets in the 31 December 2018 financial statements are added to the table above. Furthermore, in foreign currency assets "Income Accruals of Derivative Financial Instruments" amounting to TL 190.252 (31 December 2017: TL 21.351) and "Stages 1&2 Allowances for Expected Credit Losses" amounting to TL 347.706 (31 December 2017: None), in foreign currency liabilities "Expense Accruals of Derivative Financial Instruments" amounting to TL 14.433 (31 December 2017: TL 54.410) and "Stages 1&2 Allowances for Expected Credit Losses" amounting to TL 20.877 TL (31 December 2017: TL 23.997 "Free Provisions for Probable Risks" and TL 64.850 "General Provisions") and "Marketable Securities Valuation Reserve" with " Hedging Derivative Financials" amounting to TL 3.886 (31 December 2017: TL 6.230) are not included in the table above.
(**) Non-cash loans are not included in the total of "Net Off-Balance Sheet Position".

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

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

V. 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 2018 and 2017, changes, which shall occur in net profit and equity regardless of tax effect due to exchange rate loss/profit sourcing from foreign currency net monetary position, are as follows:

	31 December 2018				31 December 2017			
	Income Statement		Equity (*)		Income Statement		Equity (*)	
	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease
USD	4.804	(4.804)	5.370	(5.370)	782	(782)	1.405	(1.405)
EUR	(972)	972	(1.149)	1.149	3.160	(3.160)	3.160	(3.160)
Other currency units	(34)	34	(34)	34	(517)	517	(517)	517
Total, net	**3.798**	**(3.798)**	**4.187**	**(4.187)**	**3.425**	**(3.425)**	**4.048**	**(4.048)**

(*) The equity effect also includes the effects of the income statement.

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. Liquidity management is critical in the combination of investments, available-for-sale assets and the trading portfolio. Through using these precautions, the possible loss effects on the shareholders' equity due to both credit risk and interest risk during the volatile periods of the market are minimized.

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

INFORMATION RELATED TO FINANCIAL POSITION 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) :

31 December 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets (***)							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	2.418.287	-	-	-	-	328.107	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	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	73.323	77.373	158.479	74.433	4.912	388.520
Loans	6.152.434	1.894.252	3.972.167	1.514.741	60.462	491.702	14.085.758
Held-to-Maturity Investments	-	-	-	236.801	-	-	236.801
Other Assets	-	-	-	-	-	767.210	767.210
Total Assets	**8.825.541**	**2.368.636**	**4.647.286**	**1.947.502**	**145.989**	**1.646.445**	**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	**-**	**(3.312.833)**	**-**	**-**	**-**	**(1.688.550)**	**(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**	**(2.712.566)**	**3.342.683**	**388.296**	**145.132**	**(1.688.550)**	**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.

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

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

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.975.239	-	-	-	-	52.088	2.027.327
Due From Banks	133.919	-	-	-	-	23.398	157.317
Financial Assets at Fair Value Through Profit/Loss	49.757	104.819	227.327	41.246	3.584	-	426.733
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	220	70.897	-	122.732	53.519	4.224	251.592
Loans	4.720.258	2.749.491	3.177.468	2.379.633	66.897	168.790	13.262.537
Held-to-Maturity Investments	-	-	-	171.218	-	-	171.218
Other Assets	-	-	-	-	-	510.585	510.585
Total Assets	**6.879.393**	**2.925.207**	**3.404.795**	**2.714.829**	**124.000**	**759.085**	**16.807.309**
Liabilities							
Bank Deposits	86.846	-	-	-	-	6.643	93.489
Other Deposits	5.608.546	2.182.603	712.796	54	-	330.627	8.834.626
Funds From Interbank Money Market	79.177	120.982	-	-	-	-	200.159
Miscellaneous Payables	-	-	-	-	-	272.791	272.791
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	1.421.085	3.023.530	903.237	10.635	-	-	5.358.487
Other Liabilities (*)	73.212	51.692	29.737	68.546	114	1.824.456	2.047.757
Total Liabilities	**7.268.866**	**5.378.807**	**1.645.770**	**79.235**	**114**	**2.434.517**	**16.807.309**
Balance Sheet Long Position	**-**	**-**	**1.759.025**	**2.635.594**	**123.886**	**-**	**4.518.505**
Balance Sheet Short Position	**(389.473)**	**(2.453.600)**	**-**	**-**	**-**	**(1.675.432)**	**(4.518.505)**
Off-balance Sheet Long Position	411.915	279.226	823.165	-	-	-	1.514.306
Off-balance Sheet Short Position	-	-	-	(1.339.630)	-	-	(1.339.630)
Total Position	**22.442**	**(2.174.374)**	**2.582.190**	**1.295.964**	**123.886**	**(1.675.432)**	**174.676**

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

Interest rate sensitivity analysis :

Change in interest rate 31 December 2018	Profit/ Loss Effect	Effect on funds under equity
(+) 1%	(17.982)	(25.765)
(-) 1%	18.584	25.765

Change in interest rate 31 December 2017	Profit/ Loss Effect	Effect on funds under equity
(+) 1%	(18.865)	(15.276)
(-) 1%	19.843	15.276

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.

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

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

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

b. Average interest rates for monetary financial instruments:

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

31 December 2018	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	2,00	-	13,00
Due From Banks	-	2,18	-	-
Financial Assets at Fair Value Through Profit/Loss	3,88	6,90	-	13,27
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	-	0,00
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.

31 December 2017	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	1,50	-	4,00
Due From Banks	-	1,42	-	-
Financial Assets at Fair Value Through Profit/Loss	4,31	5,13	-	10,28
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,32	-	10,20
Loans	5,30	6,89	-	17,09
Held-to-Maturity Investments	-	5,96	-	-
Liabilities				
Bank Deposits	-	1,41	-	-
Other Deposits (*)	1,72	3,96	-	14,09
Funds From Interbank Money Market	-	2,61	-	9,50
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	1,56	3,89	-	6,64

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

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

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

VI. EXPLANATIONS ON 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 Bank resulting from fluctuations in interest rates in accordance with the "Regulation on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method" under sections divided into different currencies.

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

VII. EXPLANATIONS ON SHARE CERTIFICATE POSITION RISK:

None.

INFORMATION RELATED TO FINANCIAL POSITION 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 POSITION 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 internally, 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. 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 Bank.

The 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.

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

INFORMATION RELATED TO FINANCIAL POSITION 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 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 unconsolidated Liquidity Coverage Ratio's are used.

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

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

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

		Unweighted Amounts (*)		Weighted Amounts (*)	
31 December 2017		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets	-	-	**1.898.181**	**1.523.594**
CASH OUTFLOWS					
2	**Retail and Small Business Customers Deposits**	**5.779.074**	**3.035.614**	**552.707**	**303.561**
3	Stable deposits	504.001	-	25.200	-
4	Less stable deposits	5.275.073	3.035.614	527.507	303.561
5	**Unsecured Funding other than Retail and Small Business Customers Deposits**	**2.393.445**	**1.802.299**	**1.119.784**	**790.977**
6	Operational deposits	889.707	789.073	222.427	197.269
7	Non-Operational Deposits	1.229.865	865.128	623.902	445.610
8	Other Unsecured Funding	273.873	148.098	273.455	148.098
9	Secured funding	-	-	-	-
10	**Other Cash Outflows**	**49.608**	**44.346**	**49.608**	**44.346**
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	49.608	44.346	49.608	44.346
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**	**2.578.928**	**1.526.444**	**303.670**	**186.372**
16	**TOTAL CASH OUTFLOWS**	**-**	**-**	**2.025.769**	**1.325.256**
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	1.213.387	369.644	836.903	252.071
19	Other contractual cash inflows	18.022	207.655	18.022	207.655
20	**TOTAL CASH INFLOWS**	**1.231.409**	**577.299**	**854.925**	**459.726**
				Upper Bound Applied Amounts	
21	**TOTAL HIGH QUALITY LIQUID ASSETS**	**-**	**-**	**1.898.181**	**1.523.594**
22	**TOTAL NET CASH OUTFLOWS**	**-**	**-**	**1.170.844**	**865.530**
23	**Liquidity Coverage Ratio (%)**	**-**	**-**	**162,12**	**176,03**

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

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

INFORMATION RELATED TO FINANCIAL POSITION 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 84% and securities issued by Undersecretariat of Treasury at a ratio of 13%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to banks at ratios of 33%,44% 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. With the decision of the Banking Regulation and Supervision Agency dated 07.09.2018 and numbered 7940, it has been decided that the banks will not include the collaterals they received for credit derivatives and derivative transactions in the calculation of liquidity coverage ratio until 31 December 2018, effective from 31 July 2018.

Date	FC	FC + TL
31 December 2018	106.568	106.568

Liquidity coverage rates are calculated weekly for unconsolidated basis and monthly for consolidated basis as of 31 December 2015 in accordance with the "Regulation on Calculation of Liquidity Coverage Ratio of Banks" published in Official Gazette dated 21 March 2014 and numbered 28948. Liquidity coverage rates must be at least 70% for foreign currency assets and liabilities and at least 90% in total assets and liabilities for the period 31 December 2018. 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 (%)	155,57%	479,64%	90,94%	289,99%
Week	07.12.2018	28.12.2018	12.10.2018	05.10.2018

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

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 assets and liabilities according to their outstanding maturities:

31 December 2018	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unclassified (***)	Total
Assets (****)								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	635.079	2.111.315	-	-	-	-	-	2.746.394
Due From Banks	54.514	139.590	-	-	-	-	-	194.104
Financial Assets at Fair Value Through Profit or Loss (*)	-	70.346	276.715	258.342	543.057	14.152	-	1.162.612
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	77.373	231.802	74.433	4.912	388.520
Loans	-	2.110.578	1.686.900	3.122.133	5.127.749	1.546.696	491.702	14.085.758
Financial Assets Measured at Amortized Cost	-	-	-	-	236.801	-	-	236.801
Other Assets (**)	-	67.958	595	23.414	3.039	5.164	667.040	767.210
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**
Liabilities								
Bank Deposits	8.651	3.464	84.609	-	-	-	-	96.724
Other Deposits	292.392	5.995.141	2.750.036	906.979	19.183	-	-	9.963.731
Funds Borrowed From Other Financial Institutions	-	101.403	136.375	1.687.827	3.183.193	804.463	-	5.913.261
Funds From Interbank Money Market	-	-	-	-	171.306	-	-	171.306
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	836.371	-	-	-	-	49.101	885.472
Other Liabilities (*) (***)	-	222.892	88.155	131.261	172.787	857	1.934.953	2.550.905
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**
31 December 2017								
Total Assets	75.486	3.619.410	1.671.436	2.966.478	6.418.075	1.435.040	621.384	16.807.309
Total Liabilities	337.270	6.317.939	2.272.749	2.936.121	2.058.809	1.142.749	1.741.672	16.807.309
Net Liquidity Gap	**(261.784)**	**(2.698.529)**	**(601.313)**	**30.357**	**4.359.266**	**292.291**	**(1.120.288)**	-
Net Off-balance sheet Position	-	**374.845**	**275.839**	**519.968**	**8.053**	**1.277**	-	**1.179.982**
Financial Derivative Assets	-	**4.502.840**	**1.826.526**	**931.113**	**1.480.876**	**1.848**	-	**8.743.203**
Financial Derivative Liabilities	-	**(4.127.995)**	**(1.550.687)**	**(411.145)**	**(1.472.823)**	**(571)**	-	**(7.563.221)**
Non-cash Loans	-	**1.034.096**	**83.673**	**626.108**	**368.523**	**6.249**	-	**2.118.649**

(*) Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL 668.691 and Other Liabilities includes hedging derivative financial liabilities amounting to TL 70.273. These accounts are mainly shown under the 1-5 year maturity period.
(**) Assets forming the balance sheet such as fixed and intangible assets, subsidiaries, associates and stationary stocks are classified in this column.
(***) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.
(****) Assets are shown with their net values in their related period by deducting allowances for expected credit losses.

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

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 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**	**16.829.668**

31 December 2017	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	93.496	-	-	-	-	93.496
Funds borrowed from other financial institutions	5.956.286	2.213.385	737.156	73	-	8.906.900
Funds from money market	258.021	68.809	2.171.282	2.005.809	1.222.862	5.726.783
Payables to money market	1.206	-	70.058	130.298	-	201.563
Total	**6.309.008**	**2.282.193**	**2.978.497**	**2.136.180**	**1.222.862**	**14.928.741**

Derivative instruments of bank, counter-based maturity analysis:

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**

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

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 2017	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	4.476.568	1.807.983	799.512	2.771	-	**7.086.834**
- Out	4.100.161	1.529.657	252.405	2.567	-	**5.884.790**
Interest rate derivatives:						
- Entry	1.962	4.698	11.234	18.143	1.848	**37.885**
- Out	1.096	2.529	4.184	6.186	571	**14.566**
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	24.045	12.517	120.172	1.459.895	-	**1.616.629**
- Out	26.113	16.481	151.498	1.447.815	-	**1.641.907**
Interest rate derivatives:						
- Entry	265	1.328	195	67	-	**1.855**
- Out	625	2.020	3.058	16.255	-	**21.958**
Total cash entry	**4.502.840**	**1.826.526**	**931.113**	**1.480.876**	**1.848**	**8.743.203**
Total cash out	**4.127.995**	**1.550.687**	**411.145**	**1.472.823**	**571**	**7.563.221**

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

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 2018, leverage ratio of the Bank calculated from the arithmetic average of the three months is 7,43% (31 December 2017: 5,91%). This ratio is above the minimum required. The most important reason for the difference in leverage ratio between current and prior period is the increase in the balance sheet assets.

Disclosure of leverage ratio template:

	31 December 2018 (*)	31 December 2017 (*)
Balance sheet assets		
Balance sheet assets (excluding derivative financial assets and credit derivaties, including collaterals)	20.587.910	16.842.135
(Assets deducted from Core capital)	58.335	56.269
Total risk amount of balance sheet assets	20.529.575	16.785.866
Derivative financial assets and credit derivaties		
Cost of replenishment for derivative financial assets and credit derivatives	1.041.175	360.397
Potential credit risk amount of derivative financial assets and credit derivatives	156.092	117.001
Total risk amount of derivative financial assets and credit derivatives	1.197.267	477.398
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	3.594.290	3.161.106
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.594.290	3.161.106
Capital and total risk		
Core Capital	1.875.365	1.206.141
Total risk amount	25.321.132	20.424.370
Leverage ratio		
Leverage ratio	7,43%	5,91%

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

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

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

X. EXPLANATIONS ON HEDGE TRANSACTONS:

As of 31 December 2018, 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 IFRS 9, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

As of the balance sheet date derivative financial receivables of which carrying amount is TL 668.691 (31 December 2017: TL 262.867) and derivative financial payables of which carrying amount is TL 70.273 (31 December 2017: TL 53.367), are subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, fair value income amounting to TL 40.690 (31 December 2017: TL 18.341 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 December 2017: None).

Hedging Instrument	Hedging Subject	Exposed Risk	Hedging Instruments Fair Value		Hedging Funds (*)	Ineffective Part Accounted in 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	660.860	66.918	78.520	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	7.831	3.355	2.696	-

(*) Includes TAS 27 impacts.

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in IFRS 9, the accounting application is ended. In case of deterioration of 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 2017: None). The measurements conducted as of 31 December 2018 show that the cash flow hedging transactions shown above are effective.

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

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:

a. Financial Assets and Liabilities at their fair values:

The fair values of held-to-maturity assets are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions. The expected fair value of the demand placements and deposits represents the amount to be paid upon request. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the Bank's current interest rates as of balance sheet date. The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the Bank's current interest rates for fixed interest loans. For the loans with floating interest rates, it is assumed that the book value reflects the fair value.The expected fair value of bank placements, money market placements and bank deposits are determined by calculating the discounted cash flows using the current market interest rates of similar assets and liabilities. The book value represents the sum of 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 2018	31 December 2017	31 December 2018	31 December 2017
Financial Assets	**15.347.446**	**13.842.664**	**16.258.823**	**13.963.723**
Due from Money Market	-	-	-	-
Due from Banks (*)	636.282	157.317	636.317	157.317
Available-for-Sale Financial Assets	388.605	251.592	388.605	251.592
Held-to-maturity Investments	236.801	171.218	229.285	171.897
Loans	14.085.758	13.262.537	15.004.616	13.382.917
Financial Liabilities	**16.859.188**	**14.559.393**	**16.904.438**	**14.564.453**
Bank Deposits	96.724	93.489	96.712	93.480
Other Deposits	9.963.731	8.834.626	10.003.132	8.838.106
Borrowings	5.913.261	5.358.487	5.919.122	5.360.076
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	885.472	272.791	885.472	272.791

(*)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)

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

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 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
Due from Money Market	-	-	-	-
Derivative financial assets at fair value through profit or	-	481.231	-	481.231
Other financial assets	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 financial assets	-	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**

31 December 2017	**1stLevel**	**2nd Level**	**3rd Level**	**Total**
Financial Assets at Fair Value Through Profit or Loss	5.441	158.425	-	163.866
Government Debt Securities	5.310	-	-	5.310
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	158.425	-	158.425
Other Marketable Securities	131	-	-	131
Available for Sale Financial Assets (*)	246.647	4.945	-	251.592
Share Certificates	-	4.225	-	4.225
Government Debt Securities	246.647	-	-	246.647
Other Marketable Securities	-	720	-	720
Hedging Derivative Financial Assets	-	262.867	-	262.867
Total Assets	**252.088**	**426.237**	**-**	**678.325**
Trading Derivative Financial Liabilities	-	169.934	-	169.934
Hedging Derivative Financial Liabilities	-	53.367	-	53.367
Total Liabilities	**-**	**223.301**	**-**	**223.301**

(*) As noted in the footnote VII-d, written down values of available for sale securities are reported if the 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.

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

INFORMATION RELATED TO FINANCIAL POSITION 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, SME and treasury.

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

Corporate and commercial banking provides loan, deposit, cash management products, foreign trade financing, non-cash loans, foreign currency transaction services and other corporate banking services to 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:

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
Trading 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	3.245.940	-	18.814.189
Investments in associates, subsidiaries and joint ventures	-	-	-	381.091	381.091
Unallocated Assets	-	-	-	386.119	386.119
Total Assets	**1.730.837**	**13.837.412**	**3.245.940**	**767.210**	**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**

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

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

XIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued):

31 December 2017	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury**	**Other and Unclassified**	**Total Operations of the Bank**
Net Interest Income	66.484	346.030	30.387	-	442.901
Net Fees and Comissions	5.834	25.182	-	-	31.016
Commercial Profit/Loss	7.850	18.635	(9.037)	-	17.448
Other Operating Income	2.748	11.859	-	-	14.607
Operating Income	**82.916**	**401.706**	**21.350**	**-**	**505.972**
Operating Costs (-)	**68.023**	**218.061**	**25.850**	**71.865**	**383.799**
Net Operating Income	**14.893**	**183.645**	**(4.500)**	**(71.865)**	**122.173**
Dividend Income	-	-	-	328	328
Income/(Loss) from subsidiaries based on equity method	-	-	-	17.168	17.168
Profit Before Tax	**14.893**	**183.645**	**(4.500)**	**(54.369)**	**139.669**
Tax Provisions (-)	2.978	36.729	(900)	(8.986)	29.821
Net Profit / Loss	**11.915**	**146.916**	**(3.600)**	**(45.383)**	**109.848**
Segment Assets	1.320.669	13.090.466	1.885.589	-	16.296.724
Investments in associates, subsidiaries and joint ventures	-	-	-	256.972	256.972
Unallocated Assets	-	-	-	253.613	253.613
Total Assets	**1.320.669**	**13.090.466**	**1.885.589**	**510.585**	**16.807.309**
Segments Liabilities	5.749.776	3.127.951	5.875.421	541.686	15.294.834
Unallocated Liabilities	-	-	-	1.512.475	1.512.475
Total Liabilities	**5.749.776**	**3.127.951**	**5.875.421**	**2.054.161**	**16.807.309**

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

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 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Cash/Foreign currency	14.086	70.171	12.414	39.651
CBRT	1.359.170	1.302.967	1.022.011	953.251
Other	-	-	-	-
Total	**1.373.256**	**1.373.138**	**1.034.425**	**992.902**

2. Information on the account of the CBRT:

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

3. Information on reserve requirements:

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

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

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

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

2. Positive differences related to derivative financial instruments at fair value through profit or loss:

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

	31 December 2017	
	TL	**FC**
Forward Transactions	23.695	9.926
Swap Transactions	52.550	44.250
Futures Transactions	-	-
Options	1.722	26.282
Other	-	-
Total	**77.967**	**80.458**

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

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

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

c. Information on banks:

1. Information on banks:

	31 December 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Banks				
Domestic	3.037	2.644	16	1.888
Foreign	-	188.788	-	155.413
Headquarters and Branches Abroad	-	-	-	-
Total	**3.037**	**191.432**	**16**	**157.301**

2. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
EU Countries	37.439	11.617	-	-
USA, Canada	13.199	7.932	-	-
OECD Countries (*)	444	3.608	-	-
Off-shore Banking Regions	-	-	-	-
Others	137.706	132.256	-	-
Total	**188.788**	**155.413**	-	-

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

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

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

   As of 31 December 2018, there are TL 31.699 available-for-sale financial assets given as collateral/blocked (31 December 2017: TL 53.202) and there are none subject to repurchase agreements. (31 December 2017: TL 96.867).

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

	31 December 2018
Debt Securities	404.851
Quoted on Stock Exchange	404.851
Not Quoted	-
Share Certificates	4.912
Quoted on Stock Exchange	-
Not Quoted	4.912
Impairment Provision (-)	21.158
Total	**388.605**

Information on available-for-sale financial assets:

	31 December 2017
Debt Securities	249.658
Quoted on Stock Exchange	249.658
Not Quoted	-
Share Certificates	4.225
Quoted on Stock Exchange	-
Not Quoted	4.225
Impairment Provision (-)	2.291
Total	**251.592**

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

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

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

e. Explanations on loans:

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

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

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 Receivables Not Subject to Restructuring	**Restructured Loans and Receivables**	
Cash Loans	**Standard Loans and Other Receivables**		**Loans and Receivables with Revised Contract Terms**	**Re-finance**
Non-Specialized Loans	12.135.285	1.180.588	674.931	-
Loans given to enterprises	-	-	-	-
Export Loans	723.256	5.707	65	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	431.155	-	-	-
Consumer Loans	615.626	30.819	10.350	-
Credit Cards	-	-	-	-
Other (*)	10.365.248	1.144.062	664.516	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**12.135.285**	**1.180.588**	**674.931**	-

(*) The Bank also has TL 7 factoring loans in the Other account.

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

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

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

ii.

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

iii.

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

iv.

	Standard Loans	Loans and Other Receivables Under Close Monitoring
General Provisions	**111.662**	**313.223**
12 Month Expected Credit Losses (Stage I)	111.662	-
Significant Increase in Credit Risk (Stage II)	-	313.223

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	2.715.576	170.340	12.102
Medium and Long-term Loans	9.419.709	1.010.248	662.829
TOTAL	**12.135.285**	**1.180.588**	**674.931**

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

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

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

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

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

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

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

6. Loans according to types of borrowers:

	31 December 2018	31 December 2017
Public	-	-
Private	13.990.804	13.099.181
Total	**13.990.804**	**13.099.181**

7. Distribution of domestic and foreign loans:

	31 December 2018	31 December 2017
Domestic Loans	13.990.804	13.099.181
Foreign Loans	-	-
Total	**13.990.804**	**13.099.181**

8. Loans given to associates and subsidiaries;

	31 December 2018	31 December 2017
Direct Loans given to associates and subsidiaries	22.858	21.693
Indirect Loans given to associates and subsisiaries	-	-
Total	**22.858**	**21.693**

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

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 2018
Loans with Limited Collectability	27.807
Loans with Doubtful Collectability	57.490
Uncollectible Loans	109.450
Total	**194.747**

	31 December 2017
Loans and Other Receivables with Limited Collectability	4.554
Loans and Other Receivables with Doubtful Collectability	12.027
Uncollectible Loans and Other Receivables	165.724
Total	**182.305**

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 2018			
Gross amounts before the Provisions			
Restructured Loans	-	-	9.868

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

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

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 Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
Prior Period End Balance	**66.345**	**50.910**	**228.406**
Additions (+)	687.285	62.315	114.867
Transfers from Other Categories of Non-performing Loans (+)	-	463.769	132.901
Transfers to Other Categories of Non-performing Loans (-)	463.769	132.901	-
Collections (-)	30.471	105.240	138.032
Write-offs (-)	-	-	-
Sold Portfolio (-) (*)	150.856	11.873	87.207
Corporate and Commercial Loans	150.856	11.873	81.353
Consumer Loans	-	-	5.497
Credit Cards	-	-	357
Other	-	-	-
Balance at the End of the Period	**108.534**	**326.980**	**250.935**
Specific Provision (-)	**27.807**	**57.490**	**109.450**
Net Balance on Balance Sheet	**80.727**	**269.490**	**141.485**

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

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

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
31 December 2018			
Period-End Balance	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**

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
31 December 2017			
Period-End Balance	2.938	9.301	48.742
Specific Provision (-)	349	1.163	40.987
Net Balance on balance sheet	**2.589**	**8.138**	**7.755**

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

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

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

iv. Information on non-performing loans based on types of borrowers:

31 December 2018	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans and other
Current Period (Net)	**80.727**	**269.490**	**141.485**
Loans Given to Real Persons and Legal Persons (Gross)	108.534	326.980	250.935
Specific Provision Amount (-)	27.807	57.490	109.450
Loans Given to Real Persons and Legal Persons (Net)	80.727	269.490	141.485
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

31 December 2017	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
Prior Period (Net)	**61.791**	**38.883**	**62.682**
Loans Given to Real Persons and Legal Persons (Gross)	66.345	50.910	228.406
Specific Provision Amount (-)	4.554	12.027	165.724
Loans Given to Real Persons and Legal Persons (Net)	61.791	38.883	62.682
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

1. 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.

2. Explanations on the write-off policy:

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

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

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 IFRS 9:

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

g. Information on financial assets measured at amortized cost:

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

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

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

None (31 December 2017: None).

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

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

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

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

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

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

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

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

h. Information on investments in associates (Net):

None (31 December 2017: None).

i. Information on subsidiaries (Net):

1. Information on unconsolidated subsidiaries:

None (31 December 2017: None).

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

None (31 December 2017: 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
	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) in order start its liquidation process anda to cancel its license, 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	2.926.387	256.084	3.106	233.934	-	35.860	34.559	-
2 (*)	140.367	125.091	2.281	18.265	148	(2.192)	(17.391)	-

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

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

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

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Movement schedules of subsidiaries:

	31 December 2018	31 December 2017
Balance at the beginning of the Period	**256.972**	**237.171**
Movements during the Period	**124.119**	**19.801**
Purchases	116.000	-
Bonus Shares Obtained	70.000	-
Dividends from Current Year Income	33.668	17.168
Sales	-	-
Revaluation Increase/Decrease (*)	(95.549)	2.633
Impairment Provision	-	-
Balance at the end of the Period	**381.091**	**256.972**
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	**99,99%**	**99,99%**

(*) Includes the increases/decreases that occurred in the third part referred at footnote I in accordance with TAS 27 related with the equity method accounting.

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

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

7. Subsidiaries quoted on stock exchange:

None (31 December 2017: None).

j. Information on joint ventures:

None (31 December 2017: None).

k. Information on lease receivables (net):

None (31 December 2017: None).

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

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

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

l. Information on tangible assets:

	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	-	0	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**

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2016				
Cost	25.797	-	74.640	100.437
Accumulated depreciation (-)	2.997	-	38.441	41.438
Net book value	**22.800**	**-**	**36.199**	**58.999**
31 December 2017				
Net book value at beginning of the period	22.800	-	36.199	58.999
Additions	-	-	6.025	6.025
Disposals (-), net	-	-	679	679
Impairment (-)	-	-	-	-
Depreciation (-)	450	-	8.668	9.118
Revaluation Increase	150	-	-	150
Cost at Period End	25.947	-	75.084	101.031
Accumulated Depreciation at Period End (-)	3.447	-	42.207	45.654
Closing Net Book Value at Period End	**22.500**	**-**	**32.877**	**55.377**

m. Information on intangible assets:

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

	31 December 2018	31 December 2017
Gross Book Value	96.752	86.517
Accumulated Depreciation (-)	52.694	41.432
Net Book Value	**44.058**	**45.085**

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

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

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

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

	31 December 2018	31 December 2017
Beginning of the Period	**45.085**	**46.352**
Internally Generated Amounts	-	-
Additions due to Mergers, Transfers and Acquisitions	10.235	8.125
Disposals	-	-
Amount Accounted under Revaluation Reserve	-	-
Impairment	-	-
Impairment Reversal	-	-
Amortisation (-)	11.262	9.392
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
End of the Period	**44.058**	**45.085**

n. Information on fair value hedging derivative financial assets

	31 December 2018	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	655.339	13.352
Foreign Net Investment Hedge	-	-
Total	**655.339**	**13.352**

	31 December 2017	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	257.159	5.708
Foreign Net Investment Hedge	-	-
Total	**257.159**	**5.708**

o. Information on investment property:

None (31 December 2017: None).

p. Information on deferred tax asset:

As of 31 December 2018, Bank has netted-off the calculated deferred tax asset of TL 160.790 (31 December 2017: TL 19.982) and deferred tax liability of TL 166.993 (31 December 2017: TL 53.463) in accordance with "TAS 12" and has recorded a net deferred tax liability of TL 6.203 (31 December 2017: TL 33.481 net deferred tax liability) in the financial statements.

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

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 113.090 (31 December 2017: TL 45.085) and has no discontinued operations.

Prior Period	**31 December 2018**	**31 December 2017**
Cost	45.652	45.996
Accumulated Depreciation (-)	567	831
Net Book Value	**45.085**	**45.165**
Current Period		
Net book value at beginning of the period	45.085	45.165
Additions	77.020	13.340
Disposals (-), net	8.146	12.977
Impairment (-)	869	397
Depreciation (-)	-	46
Cost	113.600	45.652
Accumulated Depreciation (-)	510	567
Closing Net Book Value	**113.090**	**45.085**

s. Information on other assets:

Other assets amount to TL 160.223 (31 December 2017: TL 108.066) and does not exceed 10% of the total assets excluding off-balance sheet commitments.

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

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 2018:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months -1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.698	-	364.605	2.199.389	565.681	124.414	305.627	-	**3.591.414**
Foreign Currency Deposits	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**

ii. 31 December 2017:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months -1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.527	-	225.597	2.333.196	100.087	78.556	76.825	-	**2.845.788**
Foreign Currency Deposits	188.533	-	382.406	3.662.979	900.151	156.529	27.762	-	**5.318.360**
Residents in Turkey	175.127	-	362.213	3.625.377	887.658	155.010	24.659	-	**5.230.044**
Residents Abroad	13.406	-	20.193	37.602	12.493	1.519	3.103	-	**88.316**
Public Sector Deposits	5.699	-	-	-	-	-	-	-	**5.699**
Commercial Deposits	99.286	-	42.787	194.062	19.354	23.409	206.176	-	**585.074**
Other Institutions Deposits	5.582	-	1.039	38.820	2.097	21.205	10.962	-	**79.705**
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	6.643	-	86.846	-	-	-	-	-	**93.489**
The CBRT	-	-	65.720	-	-	-	-	-	**65.720**
Domestic Banks	120	-	21.126	-	-	-	-	-	**21.246**
Foreign Banks	6.523	-	-	-	-	-	-	-	**6.523**
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**337.270**	-	**738.675**	**6.229.057**	**1.021.689**	**279.699**	**321.725**	-	**8.928.115**

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

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

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

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

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

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

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

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

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

Negative differences related to derivative financial liabilities at fair value through profit or loss:

	31 December 2018		31 December 2017	
Derivative Financial Liabilities Held for Trading	**TL**	**FC**	**TL**	**FC**
Forward Transactions	113.297	1.618	18.993	2.876
Swap Transactions	131.989	35.787	59.584	61.434
Futures Transactions	-	-	-	-
Options	-	49.461	307	26.740
Other	-	-	-	-
Total	**245.286**	**86.866**	**78.884**	**91.050**

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 December 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	14.067	58.404	37.019	78.001
From Foreign Banks, Institutions and Funds	-	4.241.318	-	4.102.885
Total	**14.067**	**4.299.722**	**37.019**	**4.180.886**

2. Information on maturity structure of borrowings:

	31 December 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Short-term	14.067	603.283	37.019	502.943
Medium and Long-term	-	3.696.439	-	3.677.943
Total	**14.067**	**4.299.722**	**37.019**	**4.180.886**

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 2018, deposits and borrowings from Bank's risk group comprise 1,68% (31 December 2017: 1%) of total deposits. Besides this, Borrowings from Bank's risk group comprise 66,08% (31 December 2017: 48%) of subordinated and other borrowings.

d. Information on marketable securities issued:

None (31 December 2017: None).

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

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

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

e. Information on other foreign liabilities:

Other liabilities amounting to TL 1.040.214 (31 December 2017: TL 53.860 Other Foreign Liabilities and TL 272.791 Miscellaneous Payables) do not exceed 10% of the total of the balance sheet excluding off-balance sheet commitments.

f. Information on lease payables:

None (31 December 2017: None).

g. Information on fair value hedging derivative financial liabilities:

	31 December 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	59.902	10.371	40.807	12.560
Foreign Net Investment Hedge	-	-	-	-
Total	**59.902**	**10.371**	**40.807**	**12.560**

h. Information on provisions:

1. Information on general provisions:

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

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

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

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

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

2. 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 5.434,42 since 1 July 2018 (31 December 2017: TL 4.732,48). 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 2018	31 December 2017
Discount rate (%)	4,07	3,26
Salary increase rate (%)	11,50	8,50
Average remaining work period (Year)	11,40	11,80

Movement of reserve for employment termination benefits during the period:

	31 December 2018	31 December 2017
As of January 1	11.432	9.456
Service cost	2.162	1.705
Interest cost	1.242	1.056
Settlement cost	240	936
Actuarial loss/gain	(232)	763
Benefits paid (-)	1.942	2.484
Total	**12.902**	**11.432**

In addition, as of 31 December 2018 the Bank has accounted for vacation rights provision and personnel bonus provision amounting to TL 29.390 (31 December 2017: TL 21.652).

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

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

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

3. Other provisions:

   i. Information on free provisions for possible risks:

   No free provisions have been allocated in the current period for loans due to the implementation of IFRS 9.

	31 December 2017
Free Provisions for Possible Risks (*)	40.555

(*) Includes the provisions allocated for risks that may arise in the future related to certain loans in the Bank's loan portfolio.

   ii. Information on other provisions:

   The Bank set aside reserves under other provisions amounting to TL 7.292 (31 December 2017: TL 6.936) for lawsuits, TL 32.838 (31 December 2017: TL 2.389) for provisions for non-cash loans that are not converted to cash and are not indemnified, TL 2.179 (31 December 2017: TL 1.911) for customer cheques commitments and TL 334 provisions for other receivables (31 December 2017: TL 236).

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

   As of the balance sheet date, the provision related to the foreign currency difference of foreign indexed loans amount to TL 26 (31 December 2017: TL 1.407) and is netted from the loan amount in the financial statements.

i. Information on taxes payable:

1. Information on tax provision:

   As of 31 December 2018, there is no corporate tax provision (31 December 2017: TL 7.696).

2. Information on taxes payable:

	31 December 2018	**31 December 2017**
Corporate Tax Payable	-	7.696
Taxation of Marketable Securities	9.727	8.567
Property Tax	78	104
Banking Insurance Transaction Tax	9.087	6.485
Value Added Tax Payable	493	550
Other	3.783	2.980
Total	**23.168**	**26.382**

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

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

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

3. Information on premium payables:

	31 December 2018	31 December 2017
Social Security Premiums-Employee	1.245	2.125
Social Security Premiums-Employer	1.911	2.940
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	85	147
Unemployment Insurance-Employer	171	292
Other	40	44
Total	**3.452**	**5.548**

4. Explanations on deffered tax liability:

As of 31 December 2018, the Bank has netted-off the calculated deferred tax asset of TL 160.790 (31 December 2017: TL 19.982) and deferred tax liability of TL 166.993 (31 December 2017: TL 53.463) in accordance with "TAS 12" and has recorded a net deferred tax liability of TL 6.203 (31 December 2017: TL 33.481 net deferred tax liability) in the financial statements.

As of 31 December 2018 and 31 December 2017, the details of temporary differences and deferred tax assets and liabilities are as follows:

	Accumulated Temporary Differences		Deferred tax assets/liabilities	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Carried Financial Loss (***)	238.716	-	52.517	-
Provisions for Legal Cases	7.292	6.936	1.604	1.526
General Provisions and Other Provisions	428.042	40.555	94.169	8.922
Employee Benefits Provision	16.336	19.323	3.594	4.250
Derivative Financial Instruments Valuation Difference	-	-	-	-
Unearned Income	30.847	24.015	6.786	5.284
Others	9.639	-	2.120	-
Deferred Tax Assets	**730.872**	**90.829**	**160.790**	**19.982**
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	28.090	27.102	3.756	3.728
Derivative Financial Instruments Valuation Difference	741.988	216.678	163.237	47.669
Other		9.388	-	2.066
Deferred Tax Liabilities	**770.078**	**253.168**	**166.993**	**53.463**
Deferred Tax Assets/(Liabilities) (Net)	**(39.206)**	**(162.339)**	**(6.203)**	**(33.481)**

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

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

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

The deferred tax asset/liability summary is as follows:

	31 December 2018	31 December 2017
Balance as of 1 January	**(33.481)**	**(13.796)**
Current year deferred tax income/(expense), net	(37.434)	(15.390)
Deferred tax charged to equity, net (*) (**)	64.712	(4.295)
Balance at the End of the Period	**(6.203)**	**(33.481)**

(*) Deferred tax expense accounted in equity due to the effects of TAS 27 amounts to TL (1.073).
(**) Deferred tax asset accounted in equity also includes the effects of the transition to IFRS 9.
(***) The Bank will be able to use its carried financial loss occurred in the current year amounted TL 238.716 in the calculation of corporate tax until 2023.

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

None (31 December 2017: None).

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.

Information about subordinated loans:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.599.472	-	1.140.582
Other Foreign	-	-	-	-
Total	**-**	**1.599.472**	**-**	**1.140.582**

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Debt Instruments Subject to Common Equity	**-**	**-**	**-**	**-**
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments Subject to Tier 2 Equity	**-**	**1.599.472**	**-**	**1.140.582**
Subordinated Loans	-	1.599.472	-	1.140.582
Subordinated Debt Instruments	-	-	-	-
Total	**-**	**1.599.472**	**-**	**1.140.582**

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

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 2018	31 December 2017
Common Stock	1.535.000	1.185.000
Preferred Stock	-	-

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

Capital System	Paid-in Capital	Ceiling
Registered Capital	1.535.000	4.000.000

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

Capital Increase Date	Capital Increase Amount	Cash	Profit Reserves Related to Capital Increase	Capital Reserves Related to Capital Increase
16.03.2018	296	296	-	-
13.06.2018 (*)	347.647	347.647	-	-
08.08.2018 (*)	2.057	361	-	1.696
Toplam	**350.000**	**348.304**	-	**1.696**

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

4. Information on capital increases from capital reserves during the current period:

   None.

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

   None.

6. Information on equity by considering the prior period 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 Parent Bank and its subsidiaries 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.

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

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 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(8.303)	(8.999)	(2.366)	(143)
Foreign Currency Translation Difference	-	-	-	-
Total	**(8.303)**	**(8.999)**	**(2.366)**	**(143)**

9. Information on tangible assets revaluation reserve:

	31 December 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Movables	-	-	-	-
Immovables	19.610	-	18.075	-
Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales Income from Immovables	1.413	-	-	-
Total	**21.023**	**-**	**18.075**	**-**

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

According to the General Assembly meeting decision on 30 March 2018, the profit of 2017 which to TL 109.848 (TAS 27) is not distributed and it is classified as legal and extraordinary reserves.

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

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 2018	31 December 2017
Foreign currency buy/sell commitments	557.476	192.283
Loan limit commitments	117.343	149.606
Commitments for cheques	74.242	334.480
Commitments for credit card limits	-	18.777
Capital commitments for subsidiaries	-	14.997
Promotions for the credit cards and their care services	-	8
Total	**749.061**	**710.151**

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

There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments".

i. Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letters of credit:

	31 December 2018	31 December 2017
Letter of guarantees	1.686.184	1.740.052
Letter of credits	385.116	234.673
Other guarantees	145.330	36.130
Bank acceptance loans	103.337	107.766
Factoring guarantees	-	28
Total	**2.319.967**	**2.118.649**

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

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Irrevocable letters of guarantee	516.187	407.282	643.291	396.530
Revocable letters of guarantee	7.141	37.908	56.429	26.916
Letters of guarantee given in advance	4.485	225.758	7.571	157.427
Guarantees given to customs	25.205	63.836	29.024	70.284
Other letters of guarantee	43.657	354.725	19.740	332.840
Total	**596.675**	**1.089.509**	**756.055**	**983.997**

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

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 2018	31 December 2017
Non-cash loans given against cash loans	530.183	378.095
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	530.183	378.095
Other non-cash loans	1.789.784	1.740.554
Total	**2.319.967**	**2.118.649**

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

	31 December 2018				31 December 2017			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	**2.816**	**0,47**	**5.547**	**0,32**	**2.135**	**0,28**	**11.845**	**0,87**
Farming and Livestock	2.587	0,43	5.547	0,32	1.906	0,25	11.845	0,87
Forestry	-	-	-	-	-	-	-	-
Fishing	229	0,04	-	-	229	0,03	-	-
Manufacturing	**136.589**	**22,88**	**789.236**	**45,81**	**185.436**	**24,42**	**730.196**	**53,73**
Mining	64.282	10,77	183.117	10,63	64.056	8,43	126.684	9,32
Production	64.774	10,85	601.206	34,90	114.920	15,13	597.806	43,98
Electric, Gas, Water	7.533	1,26	4.913	0,29	6.460	0,85	5.706	0,42
Construction	**114.034**	**19,10**	**466.943**	**27,10**	**156.492**	**20,60**	**362.735**	**26,69**
Services	**297.399**	**49,81**	**422.773**	**24,54**	**336.805**	**44,34**	**205.034**	**15,09**
Wholesale and Retail Trade	30.865	5,17	106.608	6,19	65.451	8,62	43.200	3,18
Hotel and Food Services	469	0,08	627	0,04	7.598	1,00	19.458	1,43
Transportation and Telecommunication	23.209	3,89	14.743	0,86	26.452	3,48	4.980	0,37
Financial Institutions	220.587	36,94	174.788	10,15	219.187	28,86	63.844	4,70
Real Estate and Leasing Ser.	18.256	3,06	126.007	7,31	11.792	1,55	64.822	4,77
Professional Services	18	-	-	-	4.896	0,64	-	0,00
Education Services	2.070	0,35	-	-	106	0,01	1.698	0,12
Health and Social Services	1.925	0,32	-	-	1.323	0,17	7.032	0,52
Other	**46.248**	**7,75**	**38.382**	**2,23**	**78.645**	**10,35**	**49.326**	**3,63**
Total	**597.086**	**100,00**	**1.722.881**	**100,00**	**759.513**	**100,00**	**1.359.136**	**100,00**

iii. Information on non-cash loans classified in 1st and 2nd group:

	Group I		Group II	
Current Period (*)	TL	FC	TL	FC
Letters of Guarantee	572.860	1.053.383	18.220	26.715
Acceptance and Acceptance Loans	411	102.926	-	-
Letters of Credit	-	384.216	-	-
Endorsements	-	-	-	-
Securities Issuance Guarantees	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	145.330	-	-
Total	**573.271**	**1.685.855**	**18.220**	**26.715**

(*) In addition to non-cash loans stated above, the Bank has non-cash loans classified as non-performing loans, amounting to TL 15.906. As of 31 December 2018, the Bank has recorded a TL 7.104 provision regarding these risks.

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

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 2018	31 December 2017
Types of Trading Transactions		
Foreign currency related derivative transactions (I)	**20.123.385**	**21.022.928**
Currency forward transactions	1.423.468	1.903.229
Currency swap transactions	11.193.245	10.644.593
Futures transactions	-	-
Options	7.506.672	8.475.106
Interest related derivative transactions (II)	**13.564.104**	**10.390.390**
Forward rate agreements	-	-
Interest rate swaps	13.564.104	10.390.390
Interest rate options	-	-
Interest rate futures	-	-
A. Total trading derivative transactions (I+II)	**33.687.489**	**31.413.318**
Types of hedging transactions	**4.163.082**	**3.148.617**
Fair value hedges	-	-
Cash flow hedges	4.163.082	3.148.617
Foreign currency investment hedges	-	-
B. Total hedging related derivatives	**4.163.082**	**3.148.617**
Total derivative transactions (A+B)	**37.850.571**	**34.561.935**

c. Information on contingent assets and contingent liabilities:

As of 31 December 2018, the total amount of legal cases against the Bank is TL 54.164 (31 December 2017: TL 57.174) and the Bank sets aside a provision of TL 7.292 (31 December 2017: TL 6.936) regarding these risks. Due to the delayed reply to e-foreclosure sent by Gökpınar Tax Administration, negative declaratory action has been claimed at "Denizli Tax Authority" and "Denizli Civil Court of General Jurisdiction" for cancellation of the payment order of TL 25.459, which was notified to the Bank. The transactions have been stopped with obtaining injunction in response to 15% collateral. The law cases in local courts have resulted in favor of the Bank. The cases are at the appeal phase. As a result, the Bank did not book any provision.

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

FITCH (23 October 2018)

Outlook	Negative
Long Term FC	BB-
Short Term FC	B
Long Term TL	BB
Short Term TL	B
Support Rating	3
National Rating	AA (tur)
Viability Note	b

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

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 2018		31 December 2017	
Interest Income on Loans (*)	**TL**	**FC**	**TL**	**FC**
Short-term Loans	584.272	38.019	357.198	16.240
Medium/Long-term Loans	503.958	527.758	381.154	373.805
Interest on Loans Under Follow-up	3.759	-	4.056	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total	**1.091.989**	**565.777**	**742.408**	**390.045**

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

2. Information on interest income on banks:

	31 December 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
From the CBRT	58.205	-	11.842	-
From Domestic Banks	14.496	1.076	12.293	1.053
From Foreign Banks	-	4.757	-	60
Headquarters and Branches Abroad	-	-	-	-
Total	**72.701**	**5.833**	**24.135**	**1.113**

3. Information on interest income on marketable securities:

	31 December 2018	
	TP	**YP**
Financial Assets Measured at Fair Value through Profit/Loss	643	675
Financial Assets Measured at Fair Value through Other Comprehensive Income	29.503	6.601
Financial Assets Measured at Amortized Cost	-	10.724
Toplam	**30.146**	**18.000**

	31 December 2017	
	TP	**YP**
Held-for-Trading Financial Assets	2.528	181
Financial Assets At Fair Value Through Profit or Loss	-	-
Investment Securities Available for Sale	23.089	6.238
Investment Securities Held to Maturity	-	7.302
Toplam	**25.617**	**13.721**

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

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

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT:

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

	31 December 2018	31 December 2017
Interest Received From Investments in Associates and Subsidiaries	4.321	2.242

b. Information on interest expense:

1. Information on interest expense on borrowings:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Banks	**1.682**	**264.502**	**1.938**	**140.521**
The CBRT	-	-	-	-
Domestic Banks	1.682	2.127	1.938	1.174
Foreign Banks	-	262.375	-	139.347
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	**-**	**15.952**	**-**	**12.449**
Total (*)	**1.682**	**280.454**	**1.938**	**152.970**

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

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

	31 December 2018	31 December 2017
Interest Paid to Investment in Associates and Subsidiaries	10.017	3.670

3. Interest expense on issued marketable securities:

None (31 December 2017: None).

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

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

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

4. Information on interest rate and maturity structure of deposits:

Current Period	Demand Deposit	Time Deposit						Total	Prior Period Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accum. Deposit		
Turkish Currency									
Bank Deposits	-	449	-	-	-	-	-	**449**	**4.312**
Savings Deposits	-	79.087	493.141	30.970	16.401	15.228	-	**634.827**	**275.427**
Public Deposits	-	-	250	-	-	-	-	**250**	**13**
Commercial Deposits	-	17.583	56.185	1.954	3.816	11.939	-	**91.477**	**78.276**
Other Deposits	-	358	17.470	218	1.081	494	-	**19.621**	**17.708**
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
Total	**-**	**97.477**	**567.046**	**33.142**	**21.298**	**27.661**	**-**	**746.624**	**375.736**
Foreign Currency									
Foreign Currency Account	-	15.400	203.117	23.040	7.833	4.103	-	**253.493**	**189.998**
Bank Deposits	-	8.148	-	-	-	-	-	**8.148**	**2.019**
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Total	**-**	**23.548**	**203.117**	**23.040**	**7.833**	**4.103**	**-**	**261.641**	**192.017**
Sum Total	**-**	**121.025**	**770.163**	**56.182**	**29.131**	**31.764**	**-**	**1.008.265**	**567.753**

c. Information on dividend income:

	31 December 2018
Financial Assets Measured at Fair Value through Profit/Loss	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	700
Other	-
Total	**700**

	31 December 2017
Trading FinancialAssets	-
Financial Assets at Fair Value through Profit or Loss	-
Available-for-Sale FinancialAssets	328
Other	-
Total	**328**

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

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

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

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

	31 December 2018	31 December 2017
Income	**34.460.796**	**16.522.264**
Capital Market Transactions	6.377	8.615
Derivative Financial Transactions	161.728	59.418
Foreign Exchange Gains	34.292.691	16.454.231
Loss (-)	**34.394.418**	**16.504.816**
Capital Market Transactions	4.049	4.536
Derivative Financial Transactions	160.596	41.031
Foreign Exchange Losses	34.229.773	16.459.249
Net Income/Loss	**66.378**	**17.448**

e. Information on other operating income:

As of 31 December 2018, the Bank's other operating income is TL 16.491 (31 December 2017: TL 14.607). TL 2.951 (31 December 2017: TL 5.362) 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. Provision expenses related to loans and other receivables of the Bank:

	31 December 2018
Expected Credit Loss	239.076
12 Month Expected Credit Loss (Stage 1)	31.096
Significant Increase in Credit Risk (Stage 2)	(49.914)
Non-performing Loans (Stage 3)	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	-
Total	**239.076**

	31 December 2017
Specific Provisions for Loans and Other Receivables	60.589
III. Group Loans and Receivables	5.263
IV. Group Loans and Receivables	(1.726)
V. Group Loans and Receivables	57.052
General Provision Expenses	9.195
Provision Expense for Possible Risks	12.716
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value Through Profit or Loss	-
Available-for-sale Financial Assets	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Held–to-maturity Investments	-
Other	-
Total	**82.500**

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

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 2018
Personnel Expenses (**)	165.196
Reserve For Employee Termination Benefits (*)	4.217
Bank Social Aid Pension Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	-
Amortization Expenses of Fixed Assets	9.768
Impairment Expenses of Intangible Assets	-
Amortization Expenses of Intangible Assets	11.262
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held For Resale	869
Amortization Expenses of Assets Held for Resale	-
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	121.312
Operational Lease Expenses	31.374
Maintenance Expenses	1.856
Advertising Expenses	3.137
Other Expense	84.945
Loss on Sales of Assets	22
Other	32.218
Total	**344.864**

(*) As of 31 December 2018, "the employee vacation fee provision expense" is TL 574 (31 December 2017: TL 680).
(**) The personnel expenses amount has been presented on a separate row on the income statement.

	31 December 2017
Personnel Expenses	146.397
Reserve For Employee Termination Benefits	4.312
Bank Social Aid Pension Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	-
Depreciation Expenses of Fixed Assets	9.118
Impairment Expenses of Intangible Assets	-
Amortization Expenses of Intangible Assets	9.392
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held For Resale	397
Depreciation Expenses of Assets Held for Resale	46
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	103.846
Operational Lease Expenses	29.820
Maintenance Expenses	991
Advertising Expenses	1.163
Other Expenses	71.872
Loss on Sales of Assets	512
Other	27.279
Total	**301.299**

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

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

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 199.193 (31 December 2017: TL 139.669).

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 2018, the Bank has no current tax income/expense and deferred tax expense amounting to TL 37.434.

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

   The Bank has TL 39.662 deferred tax income from temporary differences and TL 52.518 tax income from carried financial loss. The bank also has deferred tax expense from closed temporary differences amounting to TL 129.614, deferred tax expense and income net-off to TL 37.434 deferred tax expense.

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

   As of 31 December 2018, the Bank has TL 89.952 (31 December 2017: TL 15.390) deferred tax expense arising from temporary differences and deferred tax income from carried financial loss belonging to the prior period amounting to TL 52.518 (31 December 2017: None).

j. Information on continuing and discontinued operations' current period net profit/(loss):

The Bank has no discontinued operations and the below article (k) 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 significantly affects the profit or has the probability of affecting the profit of following period, the effect for related periods:

   None.

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

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. Interest income amounts to TL 2.367.511 (31 December 2017: TL 1.445.845) and TL 467.674 (31 December 2017: TL 225.216) of this amount is classified as "Other Interest Income" in the income statement of Bank in the current period.

	31 December 2018	31 December 2017
Other Interest Income		
Interest Income Related to Derivative Transactions	454.490	220.962
Other	13.184	4.254
Total	**467.674**	**225.216**

2. Interest expense amounts to TL 1.729.772 (31 December 2017: TL 1.002.944), TL 431.004 (31 December 2017: TL 267.623) of this amount is classified as "Other Interest Expense" in the income statement of Bank in the current period.

	31 December 2018	31 December 2017
Other Interest Expense		
Interest Expense Related to Derivative Transactions	415.463	265.911
Other	15.541	1.712
Total	**431.004**	**267.623**

3. In the current period, the Bank's fee and commission income amounts to TL 42.958 (31 December 2017: TL 39.499) and TL 19.484 (31 December 2017: TL 21.049) the related amount is classified under "Other" account.

	31 December 2018	31 December 2017
Other Fee and Commissions Received		
Insurance Commissions	7.898	6.572
Account Operating Fees	2.066	1.838
Commissions from Correspondent Banks	666	497
Transfer Commissions	619	817
Commissions on Investment Fund Services	558	204
Credit Card and POS Transaction Commission	182	535
Common Point Commissions	84	106
Letter of Credit Commissions	10	9
Other	7.401	10.471
Total	**19.484**	**21.049**

4. In the current period, Bank's fee and commission expense amounts to TL 14.801 (31 December 2017: TL 8.483) and TL 14.743 (31 December 2017: TL 8.443) of the related amount is classified under "Other" account.

	31 December 2018	31 December 2017
Other Fee and Commissions Given		
Credit Card Transaction Commission	2.007	2.384
Commissions Granted to Correspondent Banks	1.411	1.144
EFT Commissions	692	735
Common Point Commissions	393	413
Transfer Commissions	153	96
Other	10.087	3.671
Total	**14.743**	**8.443**

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

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 2018.

b. Information on distribution of profit:

According to the decision of the Bank held at the Ordinary General Assembly Meeting held on 30 March 2018; While adapting TAS 27 Standard, the profit of 2017, TL 109.848 was not distributed. It is classified as legal and extraordinary reserves.

c. Information on capital increase:

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

The upper limit of registered capital of 2 billion TL has increased to 4 billion TL with the decision of Board of Directors on 3 October 2018.

d. Information on valuation differences of marketable securities:

"Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statements; they are recognized in the "Marketable securities valuation reserve" account under equity, until the financial assets are sold, disposed or impaired.

	31 December 2018		**31 December 2017**	
	TL	**FC**	**TL**	**FC**
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(8.303)	(8.999)	(2.366)	(143)
Foreign Currency Difference	-	-	-	-
Total	**(8.303)**	**(8.999)**	**(2.366)**	**(143)**

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

The reversal from revaluation reserve to their fair value for immovables amounting to TL 1.535 net of tax (31 December 2017: TL 1.948) is accounted under "Revaluation differences of tangible assets and intangible assets".

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

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 2018	31 December 2017
Cash	**1.167.902**	**412.911**
Cash, Foreign Currency and Other	52.065	26.846
Demand Deposits in Banks	1.115.837	386.065
Cash Equivalents	**68.251**	**221.505**
Interbank Money Market	-	-
Time Deposits in Bank	68.251	221.505
Total Cash and Cash Equivalents	**1.236.153**	**634.416**

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 2018	31 December 2017
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**

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 1.374.799 (31 December 2017: negative TL 166.129) and mainly consists of other operating income excluding collections from non-performing loans, other operating expenses excluding personnel expenses and foreign exchange gain and loss items.

"Net increase/decrease in liabilities" items presented in "Changes in operating assets and liabilities" amount to positive TL 271.383 (31 December 2017: negative TL 120.776) 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 166.117 (31 December 2017: negative TL 18.947).

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

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 2017 for balance sheet items and income statements items.

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**	-

31 December 2017 **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	-	27.908	-	-	113	68.425
Balance at the End of the Period	21.693	12.963	-	-	27	15.429
Interest and Commission Income Received	**2.242**	**79**	-	-	**12**	-

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	55.644	61.164	6.357	5.656	24.791	26.005
End of the Period	145.154	55.644	11.951	6.357	12.172	24.791
Interest Expense on Deposits	10.017	3.670	8.973	-	1.713	1.581

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	-	-	-	-	-	-

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

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 for trading purposes	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the Period (*)	806.971	307.337	-	-	-	-
Balance at the end of the period (*)	1.437.332	806.971	-	-	-	-
Total Profit/Loss	(57.658)	17.950	-	-	-	-
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:

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

2. The type of transaction, the amount and its ratio to total transaction volume, the amount of significant items and their ratios to total items, pricing policy and other issues:

	Total Risk Group	Share in Financial Statements (%)
Borrowings	3.907.357	66,08
Banks and Other Institutions	169.277	1,68
Deposit	160.744	6,93
Non-cash loans	137.713	70,81
Loans	23.024	0,16

As of 31 December 2018, the Bank has realized interest income from deposits given to banks included in the risk group amounting to TL 2.987 (31 December 2017: 17), the Bank has realized interest expense amounting to TL 172.440 (31 December 2017: TL 99.671) on loans borrowed from the direct shareholders of the Bank

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 TL 417 (31 December 2017: TL 356) from Burgan Finansal Kiralama A.Ş., TL 701 (31 December 2017: TL 680) from Burgan Yatırım Menkul Değerler A.Ş as other operating income and the Bank has TL 190 (31 December 2017: TL 158) from 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 1,12% (31 December 2017: 0,33%) of the Bank's total cash and non-cash loans.

As of 31 December 2018 there are no purchase-sales transactions on any assets including real estate with the risk group consisting the Bank.

As of 31 December 2018 there are no agreements related to transfer and management of the information gathered from the research and development with the risk group that the 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, totals TL 20.310 (31 December 2017: TL 17.411) which include total gross salary, travel, meal, health, life insurance and other 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	41	1.006			
			Country of Incorporation		
Foreign Representative	-	-	-		
				Total Asset	Statutory share capital
Foreign Branch	-	-	-	-	-
Off-Shore Banking Region Branch	-	-	-	-	-

b. There is no event that would affect opening or closing a domestic branch, a foreign branch or a representative office of the Parent Bank.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS RELATED TO BANK'S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDIT REPORT

I. EXPLANATIONS ON INDEPENDENT AUDIT REPORT

The unconsolidated financial statements as of 31 December 2018 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst&Young Global Limited) and the auditor's independent audit report dated 28 February 2019 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 AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

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

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Burgan Bank Anonim Şirketi:

A) Audit of Consolidated Financial Statements

1) Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2) Basis for Opinion

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

3) Key Audit Matters

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

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Key Audit Matter	How the Key Audit Matter is addressed in our audit
The effects of First-time adaptation of "TFRS 9 Financial Instruments" standard in the financial statements and accounting of impairment of financial assets in the financial statements, and its related outstanding explanations	
As disclosed in footnote XXIX of Section 3; the Bank started implementing TFRS 9 "Financial Instruments Standard" effective on or after January 1, 2018 and accounting the expected credit losses of financial in accordance with this standard in the financial statements effective on or after this date. The reasons we consider the TFRS 9 transition and its impairment of financial assets as a key audit matter; ▪ 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 effect of TFRS 9 transition in the Bank's equity is 12% ▪ The applications TFRS 9 introduced are complex and comprehensive ▪ The classification of financial instruments based on the Bank's business models and the characteristics of contractual cash flows in line with 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 together with the adoption of TFRS 9 ▪ Estimations and assumptions used in expected credit losses are new, important and complex ▪ Complex and comprehensive disclosure requirements of TFRS 9.	Our additional 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.b.2.and Note II.b. 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.

B) Report on Other Legal and Regulatory Requirements

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

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

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

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section Three, accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Yaşar Bivas, SMMM
Partner

February 28, 2019
İstanbul, Türkiye

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

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

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

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

Subsidiaries	Investment in 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, have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been audited.

28 February 2019

Faisal M.A. Al Radwan	Ali Murat DİNÇ	Tuba Onay ERGELEN	Ahmet CIĞA
Chairman of the Board of Directors	Member of the Board of Directors and General Manager	Acting Finance Group Head (Represent by proxy)	Head of Accounting, Tax, and Reporting Unit

Halil CANTEKİN	Adrian Alejandro GOSTUSKI	Osama T. AL GHOUSSEIN
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
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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 and Tekfen Leasing which is fully owned by Tekfenbank; where Tekfen Group retained its strategic partnership by keeping all remaining shares. On 23 February 2007, the sale of Tekfenbank A.Ş. to Eurobank EFG Holding (Luxembourg) S.A. ("Eurobank EFG Holding") was approved by the BRSA and the sale was completed after the share transfer on 16 March 2007.

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

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

GENERAL INFORMATION ABOUT THE GROUP (Continued):

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

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

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

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

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

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

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

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

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

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

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

GENERAL INFORMATION ABOUT THE GROUP (Continued):

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

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

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

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

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

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		Note	(31/12/2018)			(31/12/2017)		
II.	**OFF-BALANCE SHEET**	**(Section Five)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
A	**OFF-BALANCE SHEET COMMITMENTS (I+II+III)**		**6.320.271**	**31.644.654**	**37.964.925**	**6.458.999**	**29.277.926**	**35.736.925**
I.	**GUARANTEES AND WARRANTIES**	**III-a-2-3**	**597.086**	**1.722.881**	**2.319.967**	**759.513**	**1.359.136**	**2.118.649**
1.1	Letters of Guarantee		596.675	1.089.509	1.686.184	756.055	983.997	1.740.052
1.1.1	Guarantees Subject to State Tender Law		10.249	3.643	13.892	7.251	4.124	11.375
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		586.426	1.085.866	1.672.292	748.804	979.873	1.728.677
1.2	Bank Acceptances		411	102.926	103.337	3.430	104.336	107.766
1.2.1	Import Letter of Acceptance		411	102.926	103.337	3.430	104.336	107.766
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	385.116	385.116	-	234.673	234.673
1.3.1	Documentary Letters of Credit		-	385.116	385.116	-	234.673	234.673
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	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		-	-	-	28	-	28
1.8	Other Guarantees		-	145.330	145.330	-	36.130	36.130
1.9	Other Collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**	**III-a-1**	**409.255**	**299.806**	**709.061**	**526.202**	**143.301**	**669.503**
2.1	Irrevocable Commitments		409.255	299.806	709.061	526.202	143.301	669.503
2.1.1	Asset Purchase and Sales Commitments		257.670	299.806	557.476	48.666	143.301	191.967
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	14.997	-	14.997
2.1.4	Commitments for Loan Limits		77.343	-	77.343	109.606	-	109.606
2.1.5	Securities Issue Brokerage Commitments	-	-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		74.242	-	74.242	334.480	-	334.480
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		-	-	-	18.445	-	18.445
2.1.10	Promotion Commitments for Credit Cards and Banking Services		-	-	-	8	-	8
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		-	-	-	-	-	-
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**III-b**	**5.313.930**	**29.621.967**	**34.935.897**	**5.173.284**	**27.775.489**	**32.948.773**
3.1	Hedging Derivative Financial Instruments		1.083.828	5.645.797	6.729.625	885.008	3.717.356	4.602.364
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		1.083.828	5.645.797	6.729.625	885.008	3.717.356	4.602.364
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		4.230.102	23.976.170	28.206.272	4.288.276	24.058.133	28.346.409
3.2.1	Forward Foreign Currency Buy/Sell Transactions		757.320	664.439	1.421.759	775.618	1.126.557	1.902.175
3.2.1.1	Forward Foreign Currency Transactions-Buy		124.973	532.250	657.223	467.722	488.540	956.262
3.2.1.2	Forward Foreign Currency Transactions-Sell		632.347	132.189	764.536	307.896	638.017	945.913
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		1.245.181	18.032.660	19.277.841	1.084.832	16.884.296	17.969.128
3.2.2.1	Foreign Currency Swap-Buy		948.271	4.312.360	5.260.631	80.961	4.948.530	5.029.491
3.2.2.2	Foreign Currency Swap-Sell		296.910	4.746.372	5.043.282	1.003.871	4.076.216	5.080.087
3.2.2.3	Interest Rate Swap-Buy		-	4.486.964	4.486.964	-	3.929.775	3.929.775
3.2.2.4	Interest Rate Swap-Sell		-	4.486.964	4.486.964	-	3.929.775	3.929.775
3.2.3	Foreign Currency, Interest rate and Securities Options		2.227.601	5.279.071	7.506.672	2.427.826	6.047.280	8.475.106
3.2.3.1	Foreign Currency Options-Buy		528.333	3.150.835	3.679.168	1.259.407	2.980.038	4.239.445
3.2.3.2	Foreign Currency Options-Sell		1.699.268	2.128.236	3.827.504	1.168.419	3.067.242	4.235.661
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
3.3	Other		-	-	-	-	-	-
B.	**CUSTODY AND PLEDGES RECEIVED (IV+V+VI)**		**37.264.918**	**43.505.919**	**80.770.837**	**35.877.172**	**27.091.207**	**62.968.379**
IV.	**ITEMS HELD IN CUSTODY**		**1.025.971**	**385.612**	**1.411.583**	**1.740.277**	**156.878**	**1.897.155**
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		333.358	182.180	515.538	589.876	61.908	651.784
4.3	Cheques Received for Collection		673.437	83.592	757.029	1.126.344	63.782	1.190.126
4.4	Commercial Notes Received for Collection		19.176	22.820	41.996	24.057	23.000	47.057
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	97.020	97.020	-	8.188	8.188
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGES RECEIVED**		**36.238.947**	**43.120.307**	**79.359.254**	**34.136.895**	**26.933.082**	**61.069.977**
5.1	Marketable Securities		56.132	-	56.132	1.031	-	1.031
5.2	Guarantee Notes		22.275.449	17.248.376	39.523.825	21.097.082	12.190.553	33.287.635
5.3	Commodity		886.897	660.754	1.547.651	1.022.137	7.706	1.029.843
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		11.509.609	20.785.740	32.295.349	11.316.848	11.273.823	22.590.671
5.6	Other Pledged Items		1.510.860	4.425.437	5.936.297	699.797	3.461.000	4.160.797
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		-	-	-	-	**1.247**	**1.247**
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**43.585.189**	**75.150.573**	**118.735.762**	**42.336.171**	**56.369.133**	**98.705.304**

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

BURGAN BANK A.Ş.
CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

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

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

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2017

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

III.	INCOME STATEMENT INCOME AND EXPENSE ITEMS	Note (Section Five)	01/01/2017-31/12/2017
I.	**INTEREST INCOME**	**IV-a**	**1.573.350**
1.1	Interest on Loans		1.130.211
1.2	Interest Received from Reserve Requirements		20.438
1.3	Interest Received from Banks		26.889
1.4	Interest Received from Money Market Transactions		3.156
1.5	Interest Received from Marketable Securities Portfolio		42.385
1.5.1	Trading Financial Assets		4.783
1.5.2	Financial Assets at Fair Value through Profit or Loss		-
1.5.3	Available-for-sale Financial Assets		30.300
1.5.4	Held-to-maturity Investments		7.302
1.6	Financial Lease Income		133.870
1.7	Other Interest Income	IV-k	216.401
II.	**INTEREST EXPENSE (-)**	**IV-b**	**1.061.478**
2.1	Interest on Deposits		564.083
2.2	Interest on Funds Borrowed		215.754
2.3	Interest Expense on Money Market Transactions		18.760
2.4	Interest on Securities Issued		1.436
2.5	Other Interest Expenses	IV-k	261.445
III.	**NET INTEREST INCOME (I + II)**		**511.872**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**40.723**
4.1	Fees and Commissions Received		50.831
4.1.1	Non-cash Loans		18.371
4.1.2	Other	IV-k	32.460
4.2	Fees and Commissions Paid (-)		10.108
4.2.1	Non-cash Loans (-)		496
4.2.2	Other (-)	IV-k	9.612
V.	**DIVIDEND INCOME**		**330**
VI.	**TRADING INCOME/(LOSS) (Net)**	**IV-c**	**17.615**
6.1	Trading Gains/(Losses) on Securities		3.313
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		19.123
6.3	Foreign Exchange Gains/(Losses)		(4.821)
VII.	**OTHER OPERATING INCOME**	**IV-d**	**28.633**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**599.173**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**IV-e**	**93.512**
X.	**OTHER OPERATING EXPENSES (-)**	**IV-f**	**357.445**
XI.	**NET OPERATING INCOME/(LOSS) (VIII+IX+X)**		**148.216**
XII.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		**-**
XIII.	**INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		**-**
XIV.	**INCOME/(LOSS) ON NET MONETARY POSITION**		**-**
XV.	**INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+…+XIV)**	**IV-g**	**148.216**
XVI.	**TAX PROVISION FOR CONTINUING OPERATIONS (-)**	**IV-h**	**38.368**
16.1	Current Tax Provision		**29.472**
16.2	Deferred Tax Provision		**8.896**
XVII.	**NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV+XVI)**	**IV-i**	**109.848**
XVIII.	**INCOME FROM DISCONTINUED OPERATIONS**		-
18.1	Income from Non-Current Assets Held for Resale		-
18.2	Sale Income from Associates, Subsidiaries and Joint Ventures		-
18.3	Other Income from Discontinued Operations		-
XIX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-
19.1	Expense from Non-Current Assets Held for Resale		-
19.2	Sale Losses from Associates, Subsidiaries and Joint Ventures		-
19.3	Other Expenses from Discontinued Operations		-
XX.	**INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII+XIX)**		-
XXI.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (-)**		-
21.1	Current tax provision		-
21.2	Deferred tax provision		-
XXII.	**NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX+XXI)**		-
XXIII.	**NET INCOME/(LOSS) (XVII+XXII)**	**IV-j**	**109.848**
	Earnings/(Loss) per share (1.000 nominal in TL full)		1,219

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

BURGAN BANK A.Ş.
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE 31 DECEMBER 2018

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

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

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

BURGAN BANK A.Ş.
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE 31 DECEMBER 2017

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

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

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

BURGAN BANK A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2018

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Other comprehensive income not to be reclassified to profit or loss			Other comprehensive income to be reclassified to profit or loss								
	CURRENT PERIOD 31/12/2018	Note (Section Five)	Paid-in Capital	Share Premium	Share Cancellation Profits	Other 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 Shareholder's Equity
I.	**Prior Period End Balance (31/12/2017)**	**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.	**Correction according to TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(174.343)**	**-**	**(174.343)**	**-**	**(174.343)**
2.1	Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Amendments in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	(174.343)	-	(174.343)	-	(174.343)
III.	**New Balance (I+II)**		**1.185.000**	**-**	**-**	**184**	**18.075**	**(3.141)**	**-**	**1.705**	**(4.214)**	**40.256**	**164.762**	**(64.495)**	**-**	**1.338.132**	**-**	**1.338.132**
IV	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**1.535**	**83**	**-**	**3.965**	**(18.758)**	**40.960**	**-**	**-**	**161.759**	**189.544**	**-**	**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	Amount Transferred to Reserves		-	-	-	1.413	-	-	-	-	-	-	108.435	(109.848)	-	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (III+IV+...+X+XI)		**1.535.000**	**-**	**-**	**(99)**	**19.610**	**(3.058)**	**-**	**5.670**	**(22.972)**	**81.216**	**273.197**	**(174.343)**	**161.759**	**1.875.980**	**-**	**1.875.980**

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

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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 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

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

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

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BURGAN BANK A.Ş.
NOTES TO CONSOLIDATED STATEMENT OF CASH FLOW AT 31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

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

BURGAN BANK A.Ş.
CONSOLIDATED STATEMENT OF PROFIT APPROPRIATION AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017

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

VII.	PROFIT APPROPRIATION STATEMENT	(31/12/2018) (*)	(31/12/2017) (**)
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	CURRENT YEAR INCOME	199.193	139.669
1.2	TAXES AND DUTIES PAYABLE (-)	37.434	29.821
1.2.1	Corporate Tax (Income tax)	-	14.431
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	37.434	15.390
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**161.759**	**109.848**
1.3	PRIOR YEAR LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	-	-
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Privileged Shares	-	-
1.6.3	To Owners of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUTORY RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	108.435
1.13	OTHER RESERVES	-	1.413
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF ORDINARY SHARES	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF ORDINARY SHARES		
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
		-	-

(*) TL 33.668 that is observed in net profit, reflects the amount within the framework of the Bank's equity method applied to the subsidiaries that are not subject to the distribution of net profit / loss under the scope of TAS 27. As of the preparation date of these financial statements, the yearly ordinary meeting of the General Assembly has not been held. Therefore, the distribution of net profit has not been discussed and decided.
(**) Includes the "Profit Appropriation Statement" approved by the Bank's General Assembly held on 30 March 2018, TL 17.168 is due to corrections under TAS 27.

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

SECTION THREE
EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION:

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

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

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

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

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

TFRS 16 Leases

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

I. BASIS OF PRESENTATION (Continued):

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

Accounting policies and valuation principles used in the preparation of the unconsolidated financial statements are determined in accordance with the regulations, Communiques, interpretations and legislations related to accounting and financial reporting principles published by the BRSA, and in case where a specific regulation is not made by BRSA, TAS/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"). In accordance with the transition rules of IFRS 9, the prior period financial statements and notes are not restated. Accounting policies and valuation principles used for 2018 and 2017 are separately presented in the following notes; The accounting policies for 2017 are included in note XXX. Impacts of the transition to IFRS 9 and its adoption are disclosed in note XXIX.

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

None.

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

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

Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank's foreign currency bid rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognized in the income statement under the account of "Foreign exchange gains or losses".

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

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

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

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

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

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

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

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

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

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

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

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

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE:

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

VII. EXPLANATIONS ON FINANCIAL ASSETS:

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

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

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued):

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

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

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

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

c. Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash 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.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES:

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

As of 1 January 2018, in accordance with the Communiqué related to "Procedures and 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 IFRS 9. In this context, as of 31 December 2017, the credit loss allowance method within the framework of the BRSA's related legislation has been changed to the loss allowance for expected credit losses model with the implementation of IFRS 9. The predictions of expected credit loss forecasts include credible information which is objective, probability-weighted, supportable about past events, current conditions, and forecasts of future economic conditions.

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

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

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

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

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES:

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

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

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

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS:

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS:

Securities subject to repurchase agreements ("Repo") are classified as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial assets measured at amortized cost" according to the investment purposes of the Group and are measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Funds Provided under Repurchase Agreements" in liabilities and the difference between the sale and repurchase price is accrued over the life of repurchase agreements using the effective interest method.

Funds given against securities purchased under agreements ("Reverse repo") to resell are accounted under "Receivables from Reverse Repurchase Agreements" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the "effective interest method". The Group has no securities lending transactions.

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

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

The Group has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

a. Goodwill:

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

b. Other intangible assets:

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

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

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

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

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

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

When the carrying amount of an asset is greater than its estimated "Recoverable amount", it is written down to its "Recoverable amount" and the provision for the diminution value is charged to the income statement.

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

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

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS:

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

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the "Matching principle". When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Group, it is considered that a "Contingent" liability exists and it is disclosed in the related notes to the financial statements.

XVI. EXPLANATIONS ON CONTINGENT ASSETS:

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XVIII. EXPLANATIONS ON TAXATION:

a. Current tax:

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

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

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

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

75% portion of the capital gains derived from the sale of equity investments and immovable properties before 05 December 2017, the 50% portion of the capital gains derived from the sale of equity investments and immovable properties after 05 December 2017 are tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for 5 years. Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to 5 years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date. Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

b. Deferred tax:

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XIX. EXPLANATIONS ON BORROWINGS:

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

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

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

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

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

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

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

XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

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

XXIII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

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

XXIV. EXPLANATIONS ON EARNINGS PER SHARE:

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIV. EXPLANATIONS ON EARNINGS PER SHARE (Continued):

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

XXV. EXPLANATIONS ON RELATED PARTIES:

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

XXVI. EXPLANATIONS ON CASH AND CASH EQUIVALENTS:

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

XXVII. EXPLANATIONS ON SEGMENT REPORTING:

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

XXVIII. RECLASSIFICATIONS:

None.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIX. DISCLOSURES OF IFRS 9 FINANCIAL INSTRUMENTS STANDARD:

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

Classification and measurement of financial assets:

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

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

For the purposes of this assessment; "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. When making this assessment the Group considers the events that can alter the amount and timing of cash flows, product specific leverage features, prepayment and extension terms, terms that limit the Group's claim to cash flows from specified assets and the features that modify consideration for the time value of money.

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

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

a. Classification and measurement of financial assets:

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

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

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

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

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

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

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

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

d. Effects on equity with IFRS 9 transition:

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

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

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

1. Explanations On Interest Income and Expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method. The Group ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no income is accounted until the collection is made according to the related regulation.

2. Explanations On Financial Assets:

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

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

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

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

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. All gains and losses arising from these evaluations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

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

b. Held-to-maturity financial assets:

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

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

c. Loans and receivables:

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

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette No.26333 dated 1 November 2006. In this context, the revised credit risk, general structure of the current loan portfolio, financial conditions of the customers, non-financial information and economic conjuncture based on the prudence principle are taken into consideration by the Group in determining the estimates.

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

d. Available-for-sale financial assets:

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

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

3. Explanations On Impairment of Financial Assets:

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

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

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

a. Information about total capital:

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

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

(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):

a. Information about total capital (continued):

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

(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):

a. Information about total capital (continued):

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

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

(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 EQUITY (Continued):

c. Information related to the IFRS 9 transition process:

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK:

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

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

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

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

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

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

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

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

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

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

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

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

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

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

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

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

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

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

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

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

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

a. Information on types of loans and specific provisions:

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

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

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

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

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

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

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

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

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

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

d. Information on rating concentration:

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

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

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

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

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

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

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

f. Profile of significant exposures in major regions:

	Exposure Categories (*)																	
Current 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 FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

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

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

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
5. Conditional and unconditional exposures to international organisations
6. Conditional and unconditional exposures to banks and brokerage houses
7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
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 GROUP (Continued)

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

g. Risk profile according to sectors and counterparties:

	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 FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

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

	Exposure Categories (*)																			
31 December 2017	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	-	-	-	-	-	-	**32.300**	**3.049**	**7.326**	**1.155**	-	-	-	-	-	-	-	**22.881**	**20.949**	**43.830**
Farming and Stockbreeding	-	-	-	-	-	-	29.040	2.176	6.226	1.131	-	-	-	-	-	-	-	20.805	17.768	**38.573**
Forestry	-	-	-	-	-	-	11	241	21	24	-	-	-	-	-	-	-	56	241	**297**
Fishery	-	-	-	-	-	-	3.249	632	1.079	-	-	-	-	-	-	-	-	2.020	2.940	**4.960**
Manufacturing	-	-	**6**	-	-	-	**3.265.222**	**58.458**	**958.589**	**48.842**	-	-	-	-	-	-	-	**983.881**	**3.347.236**	**4.331.117**
Mining and Quarrying	-	-	6	-	-	-	387.213	2.734	205.473	2.258	-	-	-	-	-	-	-	106.609	491.075	**597.684**
Production	-	-	-	-	-	-	2.240.776	54.449	668.628	46.584	-	-	-	-	-	-	-	871.519	2.138.918	**3.010.437**
Electricity, Gas and Water	-	-	-	-	-	-	637.233	1.275	84.488	-	-	-	-	-	-	-	-	5.753	717.243	**722.996**
Construction	-	-	-	-	-	-	**2.332.227**	**10.624**	**1.697.762**	**59.133**	-	-	-	-	-	-	-	**1.296.887**	**2.802.859**	**4.099.746**
Services	-	-	-	-	-	**875.230**	**3.979.544**	**79.655**	**2.052.378**	**62.254**	-	-	-	-	-	-	-	**2.011.536**	**5.037.525**	**7.049.061**
Wholesale and Retail Trade	-	-	-	-	-	-	1.939.112	68.253	837.681	44.115	-	-	-	-	-	-	-	896.477	1.992.684	**2.889.161**
Hotel, Food and Beverage services	-	-	-	-	-	-	350.616	2.360	816.160	3.500	-	-	-	-	-	-	-	47.232	1.125.404	**1.172.636**
Transportation and Telecom	-	-	-	-	-	-	395.240	4.561	183.724	6.835	-	-	-	-	-	-	-	171.423	418.937	**590.360**
Financial Institutions	-	-	-	-	-	875.230	876.439	807	44.977	1.095	-	-	-	-	-	-	-	807.207	991.341	**1.798.548**
Real Estate and Rental Services	-	-	-	-	-	-	363.724	2.352	146.513	681	-	-	-	-	-	-	-	33.362	479.908	**513.270**
Self-employment Services	-	-	-	-	-	-	7.621	190	3.467	-	-	-	-	-	-	-	-	10.956	322	**11.278**
Educational Services	-	-	-	-	-	-	16.730	119	3.221	3.695	-	-	-	-	-	-	-	13.370	10.395	**23.765**
Health and Social Services	-	-	-	-	-	-	30.062	1.013	16.635	2.333	-	-	-	-	-	-	-	31.509	18.534	**50.043**
Other	**3.539.205**	-	**279**	-	-	-	**194.279**	**436.871**	**183.220**	**4.196**	-	-	-	-	-	-	**471.650**	**3.097.236**	**1.732.464**	**4.829.700**
Total	**3.539.205**	-	**285**	-	-	**875.230**	**9.803.572**	**588.657**	**4.899.275**	**175.580**	-	-	-	-	-	-	**471.650**	**7.412.421**	**12.941.033**	**20.353.454**

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
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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 GROUP (Continued)

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

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

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**

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

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

i. Information about the risk exposure categories:

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

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

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

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

j. Exposures by risk weights:

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

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

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

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

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

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

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

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

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

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

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

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

l. Information about Value Adjustment and Change in Provisions:

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

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

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

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

m. Risks Included in Cyclical Capital Buffer Calculation :

None.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (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 and increase in overdue receivables. On the other hand, reverse stress tests towards risk appetite limits through scenario analysis related to concentration index are periodically made.

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

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

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

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

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

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

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (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 2018:

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

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

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (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	2.746.416	2.746.416	2.746.416	-	-	-	480
Trading Financial Assets	494.002	494.002	-	481.231	-	238.645	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Banks	196.243	196.243	196.608	-	-	-	-
Money Market Placements	9.000	9.000	9.000	-	-	-	-
Financial Assets Available-for-Sale (net)	393.064	393.064	393.149	-	-	-	-
Loans and Receivables	14.174.683	14.174.683	14.652.562	-	-	-	-
Factoring Receivables	7	7	7	-	-	-	-
Held-to-maturity investments (net)	236.801	236.801	236.801	222.667	-	-	-
Investment in Associates (net)	-	-	-	-	-	-	-
Investment in Subsidiaries (net)	-	-	-	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-	-	-
Lease Receivables	2.614.511	2.614.511	2.614.511	-	-	-	-
Derivative Financial Assets Held For Hedging	664.968	664.968	-	664.968	-	-	-
Property And Equipment (Net)	63.737	63.737	44.791	-	-	-	18.946
Intangible Assets (Net)	45.003	45.003	-	-	-	-	45.003
Investment Property (Net)	-	-	-	-	-	-	-
Tax Asset	38.717	38.717	38.717	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	113.385	113.385	113.385	-	-	-	-
Other Assets	238.328	238.328	209.926	-	-	-	-
Total assets	**22.028.865**	**22.028.865**	**21.255.873**	**1.368.866**		**238.645**	**64.429**
Liabilities							
Deposits	9.915.300	9.915.300	-	-	-	-	9.915.300
Derivative Financial Liabilities Held for Trading	288.925	288.925	-	-	-	-	49.461
Funds Borrowed	6.860.607	6.860.607	-	239.464	-	145.908	6.860.607
Money Markets	180.228	180.228	-	180.228	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	885.472	885.472	-	-	-	-	885.472
Other Liabilities	225.172	225.172	-	-	-	-	225.172
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	70.273	70.273	-	-	-	-	70.273
Provisions	91.663	91.663	-	-	-	-	91.663
Tax Liability	35.773	35.773	-	-	-	-	35.773
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	1.599.472	1.599.472	-	-	-	-	1.599.472
Shareholder's Equity	1.875.980	1.875.980	-	-	-	-	1.875.980
Total Liabilities	**22.028.865**	**22.028.865**	**-**	**419.692**	**-**	**145.908**	**21.609.173**

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

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

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

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

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

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

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

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

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

	31 December 2018	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	**22.863.384**	21.255.873	-	1.368.866	238.645
2	Liabilities carrying value amount under regulatory scope of consolidation	**(565.600)**	-	-	(419.692)	(145.908)
3	Total net amount under regulatory scope of consolidation	**22.297.784**	21.255.873	-	949.174	92.737
4	Off-Balance Sheet Amounts	-	-	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences Resulted from the BRSA's Applications	**2.040.225**	1.521.527	-	398.9168	119.782
9	Differences due to credit risk reduction	-	-	-	-	-
10	Risk Amounts	**24.338.009**	**22.777.400**	-	**1.348.090**	**212.519**

	31 December 2017	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	**18.904.190**	18.241.882	-	509.090	153.218
2	Liabilities carrying value amount under regulatory scope of consolidation	**(416.731)**	-	-	(311.097)	(105.634)
3	Total net amount under regulatory scope of consolidation	**18.487.459**	18.241.882	-	197.993	47.584
4	Off-Balance Sheet Amounts	-	-	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences Resulted from the BRSA's Applications	**1.993.978**	1.392.261	-	521.317	80.400
9	Differences due to credit risk reduction	-	-	-	-	-
10	Risk Amounts	**20.481.437**	**19.634.143**	-	**719.310**	**127.984**

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

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

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

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

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (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 two week basis and Audit Committee and Board of Directors Risk Committee meetings held on quarterly basis. Issues determined in the framework of second and third level of controls are examined in meetings for credit risk management and risk mitigation measures are reviewed. Those departments report to Board of Directors through Audit Committee and Board of Directors Risk Committee.

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

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

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

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

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

2. Credit quality of assets

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

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

3. Changes in stock of defaulted loans and debt securities

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

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

4. Additional disclosures related to credit quality of assets:

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

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

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (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 IFRS 9. In this context, as of 31 December 2017, the credit loss allowance method within the framework of the BRSA's related legislation has been changed to the loss allowance for expected credit losses model with the implementation of IFRS 9. The predictions of expected credit loss forecasts include credible information which is objective, probability-weighted, supportable about past events, current conditions, and forecasts of future economic conditions.

iv. Descriptions of restructured receivables:

Loans and other receivables can be restructured, through providing additional loan, if required, or linked to a repayment schedule in order to provide collection of receivable of the bank and provide liquidity capacity to debtor if the non-fulfillment of liabilities related to credits and other receivables is sourcing from temporary liquidity deficiency in accordance with Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation").

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

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

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

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

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

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

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

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

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

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

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

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

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

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

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

vii. Aging analysis for overdue receivables.

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

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

Specific and general provision are allocated for restructured receivables and free provision is allocated for miscellaneous risks, if required, in accordance with IFRS 9 and the Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") and there is no situation in which no provision is made.

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

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

e. Credit Risk Mitigation

1. Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

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

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

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

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

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

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

2. Credit risk mitigation techniques

	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	-	-	-	-	-	-

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

f. Credit Risk if the Standard Approach is used:

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

Credit Risk if the Standard Approach is used:

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

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

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

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

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (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	3.314.914	-	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%

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

3. Exposures by asset classes and risk weights

	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**

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

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

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

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

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

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

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

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

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

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

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

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

iv. Rules with respect to Counter-trend risk

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

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

	31 December 2017	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)					719.310	367.260
4	Comprehensive Method for Credit Risk Mitigation - (for repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions)					-	-
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions - value at risk for repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions					-	-
6	**Total**						-

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

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

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

3. Credit valuation adjustment (CVA) capital charge

	31 December 2018	**Exposure (After credit risk mitigation methods)**	**Risk Weighted Amounts**
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at risk component (including 3*multiplier)		
2	(ii) Stressed Value at Risk (including 3*multiplier)		
3	All portfolios subject to Standardised CVA capital obligation	1.348.090	165.300
4	**Total amount of CVA capital adequacy**	**1.348.090**	**165.300**

	31 December 2017	**Exposure (After credit risk mitigation methods)**	**Risk Weighted Amounts**
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at risk component (including 3*multiplier)		
2	(ii) Stressed Value at Risk (including 3*multiplier)		
3	All portfolios subject to Standardised CVA capital obligation	719.310	90.908
4	**Total amount of CVA capital adequacy**	**719.310**	**90.908**

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

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

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

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

31 December 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**

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

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

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

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

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

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

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

5. Composition of collateral for CCR exposure

31 December 2018	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
	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**	**-**

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

6. Credit derivatives: None.

7. Risks to Central Counterparty:

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

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

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

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

7. Risks to Central Counterparty (Continued):

31 December 2018		Exposure at default (post-CRM)	RWA
1	Total Exposure to Qualified Central Counterparties (QCCPs)	-	764
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC Derivatives	-	-
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Repo-Reverse Repo transactions, creditable marketable 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 FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

7. Risks to Central Counterparty (Continued):

	31 December 2017	Exposure at default (post-CRM)	RWA
1	Total Exposure to Qualified Central Counterparties (QCCPs)	-	1.681
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC Derivatives	-	-
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Repo-Reverse Repo transactions, creditable marketable 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 FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Countinued)

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

h. Securitization disclosures: None.

j. Disclosures on Market Risk

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

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

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

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

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

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

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

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

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

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

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

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

j. Disclosures on Market Risk (Continued):

Risk parameters include different type of limits such as foreign currency position limit, nominal, maturity, foreign exchange breakdowns related to bond portfolio, value at risk limits, limits related to interest rate (DV01), option vega limits and loss limits determined for trading portfolio. Some of these limits are monitored on consolidated basis, while others are monitored by the subsidiaries via independent limits from the Parent Bank, however all usages are followed up through daily reporting in the Parent Bank.

2. Market risk under standardised approach

	31 December 2018	**RWA**
	Outright products	
1	Interest rate risk (general and specific)	90.592
2	Equity risk (general and specific)	-
3	Foreign exchange risk	121.891
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	36
8	Securitisation	-
9	**Total**	**212.519**

	31 December 2017	**RWA**
	Outright products	
1	Interest rate risk (general and specific)	77.866
2	Equity risk (general and specific)	-
3	Foreign exchange risk	49.791
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	327
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**127.984**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Countinued)

IV. EXPLANATIONS ON CONSOLIDATED OPERATIONAL RISK:

The amount subject to operational risk is calculated once a year by using the "Basic Indicator Approach" in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette No. 28337 dated 28 June 2012. The operational risk capital requirement dated 31 December 2018 has been calculated using the income in 2015, 2016 and 2017.

Annual gross income is calculated through deducting profit/loss sourcing from sales of securities tracked in available for sale and held to maturity securities accounts and extraordinary income, activity expenses made in return for support service and amounts compensated from insurance from total of net amount of interest revenues and non-interest revenues.

31 December 2018	2 Prior Period	1 Prior Period	Current Period value	Total / Total number of years for which	Rate (%)	Total
Gross Income	456.892	498.897	588.992	514.927	15	77.239
Amount subject to operational risk (Total*12,5)	-	-	-	-	-	965.488

31 December 2017	2 Prior Period	1 Prior Period	Current Period value	Total / Total number of years for which	Rate (%)	Total
Gross Income	350.055	456.892	498.897	435.281	15	65.292
Amount subject to operational risk (Total*12,5)	-	-	-	-	-	816.153

(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 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
31 December 2018 / 31 December 2017				
Bid rate	**TL 6,0422**	**TL 4,5155**	**TL 5,2810**	**TL 3,7719**
1. Day Bid Rate	TL 6,0422	TL 4,5155	TL 5,2810	TL 3,7719
2. Day Bid Rate	TL 6,0280	TL 4,5478	TL 5,2609	TL 3,8104
3. Day Bid Rate	TL 6,0245	TL 4,5385	TL 5,2889	TL 3,8197
4. Day Bid Rate	TL 6,0185	TL 4,5116	TL 5,2832	TL 3,8029
5. Day Bid Rate	TL 6,0419	TL 4,5205	TL 5,3034	TL 3,8087

The simple arithmetic average of the Parent Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are shown below:

	EUR		USD	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Arithmetic average – 30 days	TL 6,0359	TL 4,5508	TL 5,3010	TL 3,8440

(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:

The Group's real foreign currency position, both in financial and economic terms, is presented in the table below:

	EUR	USD	Other FC	Total
31 December 2018				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	508.246	862.358	2.534	**1.373.138**
Due From Banks	7.148	153.568	32.625	**193.341**
Financial Assets at Fair Value Through Profit or Loss (*)	49.865	56.271	52	**106.188**
Interbank Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	11.076	123.211	-	**134.287**
Loans (*)	7.537.703	4.232.359	3.173	**11.773.235**
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial Assets Measured at Amortized Cost	-	236.801	-	**236.801**
Hedging Derivative Financial Assets	223	27.197	-	**27.420**
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	19.508	70.953	-	**90.461**
Total Assets	**8.133.769**	**5.762.718**	**38.384**	**13.934.871**
Liabilities				
Bank Deposits	84.895	8.020	3.479	**96.394**
Foreign Currency Deposits	1.365.836	4.143.664	158.625	**5.668.125**
Funds From Interbank Money Market	-	171.306	-	**171.306**
Funds Borrowed From Other Financial Institutions	2.149.665	6.181.605	-	**8.331.270**
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	451.886	420.239	29.420	**901.545**
Hedging Derivative Financial Liabilities	1.368	9.003	-	**10.371**
Other Liabilities (*)	24.997	64.818	88	**89.903**
Total Liabilities	**4.078.647**	**10.998.655**	**191.612**	**15.268.914**
Net On-balance Sheet Position	**4.055.122**	**(5.235.937)**	**(153.228)**	**(1.334.043)**
Net Off-balance Sheet Position	**(3.811.325)**	**5.474.656**	**154.138**	**1.817.469**
Financial Derivative Assets	1.104.682	8.236.853	207.430	9.548.965
Financial Derivative Liabilities	4.916.007	2.762.197	53.292	7.731.496
Non-Cash Loans (**)	**725.771**	**945.549**	**51.561**	**1.722.881**
31 December 2017				
Total Assets (*)	6.474.772	4.951.338	18.930	**11.445.040**
Total Liabilities (*)	2.612.282	10.219.429	121.583	**12.953.294**
Net On-balance Sheet Position	**3.862.490**	**(5.268.091)**	**(102.653)**	**(1.508.254)**
Net Off-balance Sheet Position	**(3.830.308)**	**5.289.780**	**100.381**	**1.559.853**
Financial Derivative Assets	988.000	8.162.761	457.352	9.608.113
Financial Derivative Liabilities	4.818.308	2.872.981	356.971	8.048.260
Non-Cash Loans (**)	**587.467**	**708.298**	**63.371**	**1.359.136**

(*) The above table shows the Bank's foreign currency net position based on main currencies. Foreign currency indexed assets are classified as Turkish Lira assets in the financial statements according to the Uniform Chart of Accounts. Due to this, foreign currency indexed loans amounting to TL 578.154 (31 December 2017: TL 831.039) classified as Turkish Lira assets in the 31 December 2018 financial statements are added to the table above as well as there is no foreign currency indexed loan in the current period (31 December 2017: None). Furthermore, in foreign currency assets "Income Accruals of Derivative Financial Instruments" amounting to TL 190.252 (31 December 2017: TL 21.351) and "Stages 1&2 Allowances for Expected Credit Losses" amounting to TL 347.706 (31 December 2017: None), in foreign currency liabilities "Expense Accruals of Derivative Financial Instruments" amounting to TL 14.433 (31 December 2017: TL 54.410) and "Stages 1&2 Allowances for Expected Credit Losses" amounting to TL 20.877 (31 December 2017: TL 23.997 "Free Provisions for Probable Risks" and TL 64.850 "General Provisions") and "Marketable Securities Valuation Reserve" with " Hedging Derivative Financials" amounting to TL 3.886 (31 December 2017: TL 6.230) are not included in the table above.
(**) Non-cash loans are not included in the total of "Net Off-Balance Sheet Position".

(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 2018 and 2017, changes, which shall occur in net profit and equity regardless of tax effect due to exchange rate loss/profit sourcing from foreign currency net monetary position, are as follows:

	31 December 2018				31 December 2017			
	Income Statement		Equity (*)		Income Statement		Equity (*)	
	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease
USD	6.388	(6.388)	6.954	(6.954)	2.169	(2.169)	2.792	(2.792)
EUR	(935)	935	(1.112)	1.112	3.218	(3.218)	3.218	(3.218)
Other currency units	(24)	24	(24)	24	(227)	227	(227)	227
Total, net	**5.429**	**(5.429)**	**5.818**	**(5.818)**	**5.160**	**(5.160)**	**5.783**	**(5.783)**

(*) Equity effect also includes income table effects.

(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, available-for-sale assets and the trading portfolio. Through using these precautions, the possible loss effects on the shareholders' equity due to both credit risk and interest risk during the volatile periods of the market are minimized.

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates (As for the remaining time to repricing):

31 December 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets (***)							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	2.418.287	-	-	-	-	328.129	**2.746.416**
Due From Banks	139.851	-	-	-	-	56.392	**196.243**
Financial Assets at Fair Value Through Profit/Loss (*)	47.488	465.080	597.746	37.481	11.175	-	**1.158.970**
Interbank Money Market Placements	9.000	-	-	-	-	-	**9.000**
Financial Assets at Fair Value Through Other Comprehensive Income	-	73.323	77.373	158.479	74.433	9.456	**393.064**
Loans	6.280.209	2.042.864	4.454.076	2.983.181	419.324	609.547	**16.789.201**
Financial Assets Measured at Amortized Cost	-	-	-	236.801	-	-	**236.801**
Other Assets	-	-	-	-	-	499.170	**499.170**
Total Assets	**8.894.835**	**2.581.267**	**5.129.195**	**3.415.942**	**504.932**	**1.502.694**	**22.028.865**
Liabilities							
Bank Deposits	3.464	84.609	-	-	-	8.651	**96.724**
Other Deposits	5.872.380	2.730.023	906.979	19.183	-	290.011	**9.818.576**
Funds From Interbank Money Market	10.842	169.386	-	-	-	-	**180.228**
Miscellaneous Payables	-	-	-	-	-	955.895	**955.895**
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	3.773.924	2.654.042	1.973.133	58.980	-	-	**8.460.079**
Other Liabilities (*) (**)	29.697	147.264	95.840	85.540	857	2.158.165	**2.517.363**
Total Liabilities	**9.690.307**	**5.785.324**	**2.975.952**	**163.703**	**857**	**3.412.722**	**22.028.865**
Balance Sheet Long Position	-	-	**2.153.243**	**3.252.239**	**504.075**	-	**5.909.557**
Balance Sheet Short Position	**(795.472)**	**(3.204.057)**	-	-	-	**(1.910.028)**	**(5.909.557)**
Off-balance Sheet Long Position	**797.196**	**1.448.656**	**1.163.417**	-	-	-	**3.409.269**
Off-balance Sheet Short Position	-	-	-	**(2.589.025)**	**(60.422)**	-	**(2.649.447)**
Total Position	**1.724**	**(1.755.401)**	**3.316.660**	**663.214**	**443.653**	**(1.910.028)**	**759.822**

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 664.968 and other liabilities includes hedging derivative financial liabilities amounting to TL 70.273 classified to a related re-pricing periods.
(**) Shareholders' Equity is presented in the Non-Interest Bearing column.
(***) Assets are shown with their net values in their related period by deducting allowances for expected credit losses.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates (As for the remaining time to repricing):

31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.975.239	-	-	-	-	52.101	**2.027.340**
Due From Banks	145.331	-	-	-	-	23.398	**168.729**
Financial Assets at Fair Value Through Profit/Loss	29.336	111.647	227.327	41.246	3.683	-	**413.239**
Interbank Money Market Placements	11.000	-	-	-	-	-	**11.000**
Available-for-Sale Financial Assets	220	91.181	-	122.732	53.519	8.943	**276.595**
Loans	4.753.935	2.727.799	3.177.468	2.379.633	66.897	181.012	**13.286.744**
Held-to-Maturity Investments	-	-	-	171.218	-	-	**171.218**
Other Assets	99.890	81.318	352.631	1.162.344	275.695	427.955	**2.399.833**
Total Assets	**7.014.951**	**3.011.945**	**3.757.426**	**3.877.173**	**399.794**	**693.409**	**18.754.698**
Liabilities							
Bank Deposits	86.846	-	-	-	-	6.643	**93.489**
Other Deposits	5.563.222	2.182.603	712.796	54	-	320.307	**8.778.982**
Funds From Interbank Money Market	135.234	120.982	-	-	-	-	**256.216**
Miscellaneous Payables	-	-	-	-	-	353.907	**353.907**
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	2.258.217	3.139.725	1.792.189	33.213	-	-	**7.223.344**
Other Liabilities (*)	53.611	62.745	29.737	68.546	114	1.834.007	**2.048.760**
Total Liabilities	**8.097.130**	**5.506.055**	**2.534.722**	**101.813**	**114**	**2.514.864**	**18.754.698**
Balance Sheet Long Position	**-**	**-**	**1.222.704**	**3.775.360**	**399.680**	**-**	**5.397.744**
Balance Sheet Short Position	**(1.082.179)**	**(2.494.110)**	**-**	**-**	**-**	**(1.821.455)**	**(5.397.744)**
Off-balance Sheet Long Position	487.564	929.592	747.727	-	-	-	**2.164.883**
Off-balance Sheet Short Position	-	-	-	(1.991.199)	-	-	**(1.991.199)**
Total Position	**(594.615)**	**(1.564.518)**	**1.970.431**	**1.784.161**	**399.680**	**(1.821.455)**	**173.684**

(*) Shareholders' Equity is presented in Non Interest Bearing column.

Interest rate sensitivity analysis :

Change in interest rate 31 December 2018	Profit/ Loss Effect	Effect on funds under equity
(+) %1	**(10.277)**	**(25.503)**
(-) %1	**10.725**	**18.352**

Change in interest rate 31 December 2017	Profit/ Loss Effect	Effect on funds under equity
(+) %1	**(18.865)**	**(15.305)**
(-) %1	**19.843**	**15.305**

In the above study, the effects of (+) 1% and (-) 1% change in interest rates on "capital back-up" items under period profit / loss and equity are shown excluding tax effects.

(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 2018	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	2,00	-	13,00
Due From Banks	-	2,18	-	-
Financial Assets at Fair Value Through Profit/Loss	3,88	6,90	-	13,09
Interbank Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3,05	4,66	-	14,93
Loans	5,86	8,10	-	23,52
Financial Assets Measured at Amortized Cost	-	4,41	-	-
Liabilities				
Bank Deposits	1,94	-	-	-
Other Deposits (*)	2,56	5,08	-	22,88
Funds From Interbank Money Market	-	3,61	-	26,09
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	2,95	5,13	-	21,64

(*) Demand deposits are included in the calculation of the weighted average interest rates.

31 December 2017	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	1,50	-	4,00
Due From Banks	-	1,42	-	-
Financial Assets at Fair Value Through Profit/Loss	4,31	5,13	-	10,29
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,32	-	10,19
Loans	5,15	6,44	-	16,38
Held-to-Maturity Investments	-	5,96	-	-
Liabilities				
Bank Deposits	-	1,41	-	-
Other Deposits (*)	1,73	3,97	-	14,08
Funds From Interbank Money Market	-	2,61	-	11,29
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	2,25	3,89	-	13,24

(*) Demand deposits are included in the calculation of the weighted average interest rates.

(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	(32.900)	(0,9) %
2. TRY	-400 bp	29.284	0,8%
3. EURO	+200 bp	(12.191)	(0,4) %
4. EURO	-200 bp	(2.534)	(0,1) %
5. USD	+200 bp	(16.036)	(0,5) %
6. USD	-200 bp	18.444	0,5%
Total (For Negative Shocks)		**45.194**	**1,3**%
Total (For Positive Shocks)		**(61.127)**	**(1,8)** %

VII. EXPLANATIONS ON CONSOLIDATED SHARE CERTIFICATE POSITION RISK:

None.

INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP ON A CONSOLIDATED BASIS (Continued):

VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED LIQUIDITY COVERAGE RATIO:

Liquidity risk is the risk generated as a result of not having an effect or cash inflow at a level which can meet cash outflow, formed because of an imbalance in cash flow, timely and completely.

Effective liquidity risk management requires assigning appropriate staff for measurement and monitoring and timely informing management of the bank. Board of directors and senior management is responsible to understand the nature and level of the liquidity risk taken by the Parent Bank and the instruments measuring these risks. Additionally, Board of Directors and Senior Management are responsible for the compliance of funding strategies to risk tolerance which is determined to be applied.

Liquidity risk management framework of the Parent Bank is determined with "Burgan Bank Risk Management Policy" and "Burgan Bank Liquidity Risk Policy" documents approved by Bank's Board of Directors and "Burgan Bank Risk Management Policy" and "Burgan Bank Treasury Policy" and "Burgan Bank Assets & Liabilities Management Committee (ALCO)" in scope of banking legislation.

Liquidity management is primarily under the responsibility of ALCO in accordance with the Liquidity Risk Management of the Bank. Treasury, Capital Markets and Financial Corporations Group are responsible to perform required actions in accordance with the liquidity standards determined in accordance with the Liquidity Risk Policy. Market Risk Departments is secondarily responsible and it is responsible to control and report compliance with the limits. Detailed information related to periodic and specific reports related to liquidity risk, stress tests, scenario tests, scenario analysis, compliance with risk limits and legal liquidity reports are included in Liquidity Risk Policy of the Bank.

Liquidity risk exposed by the Parent Bank, risk appetite, liquidity risk reduction appropriate to liquidity and funding policies (diversification of funding sources and maturities, derivative transactions), establishment of effective control environment, risk limits, early warning and triggering market indicators are managed through monitoring closely.

The liquidity risk is removed by short term placements, liquid marketable assets wallet and strong equity structure in the management of liquidity risk. Board of Directors of Bank can perform limit reduction regardless of credit value in current placement limits when the volatility in markets increases. Management of the Bank and ALCO monitors possible marginal costs of payments and spurts as a result of studies made in scope of scenario analysis while tracking interest margin in diversified maturity segments between assets and liabilities. Borrowing limits which can be used in short-term for spurts from Central Bank, BIST Repo Market, Takasbank Money Market and banks are applied at a minimum level. The Parent Bank does not need to use these sources because of its current liquidity position but it uses the aforementioned limits for short-term transaction opportunities. Assets, liabilities and positions on the basis of main types of currencies (currencies forming at least 5% of Bank's total liabilities) are managed under the control of Treasury and Capital Markets.

INFORMATION RELATED TO THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP ON A CONSOLIDATED BASIS (Continued):

VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued):

Firstly, the Parent Bank and subsidiaries subject to consolidation are responsible to be in accord with the minimum liquidity restrictions that are set by legislation and consolidated and unconsolidated liquidity restrictions that is determined in the Bank's Liquidity Risk Policy There should be no excess in liquidity limits in accordance with the Bank's policy. Acceptation of current risk level, reduction or termination of activities causing to risk are evaluated for the risk which are not reduced. The actions, which shall be taken if there is an excess in the legal and internal limits, are detailed in Liquidity Risk Policy of the Bank. Overflow which is formed in liquidity ratios tracked according to legal limitations is eliminated in the period which is also determined by legal legislation.

Triggering market indicators are indicators which are tracked as early warning signals before the transition to stress environment which can form in the market as a result of ordinary business condition. Early warning limits related to liquidity risk in Bank are determined and aforementioned limits are monitored closely with the triggering market indicators.

Market Risk Department reports results of scenarios related to liquidity risk to Board of Directors, Risk Coordination Committee, Risk Committee and ALCO through making monthly calculations based on stress scenarios. These stress tests identify negative market conditions and potential fund outflows which occur in funding resources in a liquidity crisis. The purpose of stress tests is to inform related committees and Board of Directors regarding liquidity outflows and derogation which can occur in the liquidity ratios of the Parent Bank. Required actions are taken by ALCO if there are similar situations mentioned in stress scenarios.

An ALCO meeting is held with a call made by Treasury, Capital Markets and Deputy General Manager of Financial Corporations if there is a negative development sourcing from the group or liquidity. Precautions which shall be taken in this process are determined in scope of Liquidity Emergency Plan and details related to Liquidity Emergency Plan are included in Liquidity Risk Policy of the Parent Bank.

The Parent Bank has a central funding institution function in its relations with partners. Intra-group liquidity management and funding strategies are limited to related legal limitations.

(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):

Liquidity Coverage Ratio:

		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 weekly 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 AND THE CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued):

		Unweighted Amounts (*)		Weighted Amounts (*)	
31 December 2017		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets	-	-	**2.047.365**	**1.377.625**
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	**5.793.393**	**2.964.383**	**553.623**	**296.438**
3	Stable deposits	514.333	-	25.717	-
4	Less stable deposits	5.279.060	2.964.383	527.906	296.438
5	Unsecured Funding other than Retail and Small Business Customers Deposits	**2.631.244**	**1.834.271**	**1.451.772**	**896.376**
6	Operational deposits	844.191	738.315	211.048	184.579
7	Non-Operational Deposits	1.158.499	846.445	612.587	462.286
8	Other Unsecured Funding	628.554	249.511	628.137	249.511
9	Secured funding	-	-	-	-
10	Other Cash Outflows	**64.720**	**57.474**	**64.720**	**57.474**
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	64.720	57.474	64.720	57.474
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off-balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	2.503.898	1.497.236	300.807	180.239
16	**TOTAL CASH OUTFLOWS**	**-**	**-**	**2.370.922**	**1.430.527**
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	1.443.023	442.170	1.030.715	299.428
19	Other contractual cash inflows	12.862	383.974	12.862	383.974
20	**TOTAL CASH INFLOWS**	**1.455.885**	**826.144**	**1.043.577**	**683.402**
				Upper Bound Applied Amounts	
21	**TOTAL HIGH QUALITY LIQUID ASSETS**	**-**	**-**	**2.047.365**	**1.377.625**
22	**TOTAL NET CASH OUTFLOWS**	**-**	**-**	**1.327.345**	**747.125**
23	**Liquidity Coverage Ratio (%)**	**-**	**-**	**154,25**	**184,39**

(*) The arithmetic average of the last three months weekly consolidated Liquidity Coverage Ratio's are used.

(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):

Liquidity coverage rate is calculated through estimating high quality liquid assets owned by the Bank to net cash out flows based on 30 days of maturity. Balance items which are determinant on the ratio are sorted as required reserves kept in Central Bank of Turkey, securities which are not subject to repo/guarantee, deposit having a corporate transaction, banks deposits, foreign sourced funds and receivables from banks. The impacts of aforementioned items on liquidity coverage ratio are higher than other items since they have a higher share in liquid assets and net cash out flows and they can change in time.

As of the period-end, high quality liquid assets of the Bank consist of accounts in Central Bank of Turkey at a ratio of 84% and securities issued by Undersecretariat of Treasury at a ratio of 13%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to bank debt at ratios of 28%, 36% and 21% respectively.

Fluctuations in foreign currency derivative transaction volumes, mainly in foreign currency swaps, can have an impact on foreign currency liquidity coverage rate although derivative transactions generate a lower level of net cash flow with respect to liquidity coverage rate.

Absolute value of net warrant flows realized as of 30 days periods for each transaction and liability are calculated provided that changes in fair values of derivative transactions and other liabilities can form a margin liability in accordance with "Regulation on Calculation of Liquidity Coverage Ratio of Banks" entered into force through publishing in Official Gazette dated 21 March 2014 and numbered 28948. The biggest absolute value, which is calculated in the last 24 months, is taken into consideration as cash outflow. Calculations for derivative transactions and other liabilities, having a flow history shorter than 24 months, are performed from the date in which the transaction is triggered. With the decision of the Banking Regulation and Supervision Agency dated 07.09.2018 and numbered 7940, it has been decided that the banks will not include the collaterals they received for credit derivatives and derivative transactions in the calculation of liquidity coverage ratio until 31 December 2018, effective from 31 July 2018.

Date	FC	FC + TL
31 December 2018	106.568	106.568

Liquidity coverage rates are calculated weekly for unconsolidated basis and monthly for consolidated basis as of 31 December 2015 in accordance with the "Regulation on Calculation of Liquidity Coverage Ratio of Banks" published in Official Gazette dated 21 March 2014 and numbered 28948. As of 31 December 2018, liquidity coverage rates must be at least 70% for foreign currency assets and liabilities and at least 90% in total assets and liabilities. Dates and values of the lowest and highest foreign currency and total consolidated liquidity coverage ratios related to the three-month period calculated by taking daily arithmetic averages are explained in the table below:

Current Period	Maximum (%)		Minimum (%)	
	FC	FC + TL	FC	FC + TL
Monthly Arithmetic Average (%)	155,61%	490,33%	109,73%	402,22%
Month	31.12.2018	31.12.2018	31.10.2018	30.11.2018

(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 assets and liabilities according to their outstanding maturities:

31 December 2018	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unclassified (***)	Total
Assets (****)								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	635.101	2.111.315	-	-	-	-	-	**2.746.416**
Due From Banks	56.654	139.589	-	-	-	-	-	**196.243**
Financial Assets at Fair Value Through Profit or Loss (*)	23	403	278.893	258.342	607.076	14.233	-	**1.158.970**
Interbank Money Market Placements	-	9.000	-	-	-	-	-	**9.000**
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	77.373	231.802	74.433	9.456	**393.064**
Loans	-	2.238.353	1.835.512	3.604.042	6.596.189	1.905.558	609.547	**16.789.201**
Financial Assets Measured at Amortized Cost	-	-	-	-	236.801	-	-	**236.801**
Other Assets (**)	-	82.760	1.665	28.231	30.737	5.164	350.613	**499.170**
Total Assets	**691.778**	**4.581.420**	**2.116.070**	**3.967.988**	**7.702.605**	**1.999.388**	**969.616**	**22.028.865**
Liabilities								
Bank Deposits	8.651	3.464	84.609	-	-	-	-	**96.724**
Other Deposits	290.011	5.872.380	2.730.023	906.979	19.183	-	-	**9.818.576**
Funds Borrowed From Other Financial Institutions	-	188.488	168.973	2.387.519	4.910.636	804.463	-	**8.460.079**
Funds From Interbank Money Market	-	8.922	-	-	171.306	-	-	**180.228**
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	838.120	-	-	-	-	117.775	**955.895**
Other Liabilities (*) (***)	-	155.735	88.155	138.492	192.436	857	1.941.688	**2.517.363**
Total Liabilities	**298.662**	**7.067.109**	**3.071.760**	**3.432.990**	**5.293.561**	**805.320**	**2.059.463**	**22.028.865**
Net Liquidity Gap	**393.116**	**(2.485.689)**	**(955.690)**	**534.998**	**2.409.044**	**1.194.068**	**(1.089.847)**	**-**
Net Off-balance sheet position	**-**	**94.126**	**116.984**	**591.289**	**79.093**	**876**	**-**	**882.368**
Financial Derivative Assets	-	3.596.179	2.493.071	1.280.046	1.461.713	1.495	-	**8.832.504**
Financial Derivative Liabilities	-	(3.502.053)	(2.376.087)	(688.757)	(1.382.620)	(619)	-	**(7.950.136)**
Non-cash Loans	**-**	**1.465.856**	**168.600**	**565.789**	**119.656**	**66**	**-**	**2.319.967**
31 December 2017								
Total Assets	75.499	3.758.845	1.752.418	3.323.926	7.614.942	1.710.834	518.234	**18.754.698**
Total Liabilities	326.950	6.442.731	2.312.017	3.333.304	3.378.335	1.142.749	1.818.612	**18.754.698**
Net Liquidity Gap	**(251.451)**	**(2.683.886)**	**(559.599)**	**(9.378)**	**4.236.607**	**568.085**	**(1.300.378)**	**-**
Net Off-balance sheet position	**-**	**360.711**	**283.564**	**525.015**	**(14.967)**	**1.277**	**-**	**1.155.600**
Financial Derivative Assets	-	4.436.985	1.803.485	929.100	1.357.464	1.848	-	**8.528.882**
Financial Derivative Liabilities	-	(4.076.274)	(1.519.921)	(404.085)	(1.372.431)	(571)	-	**(7.373.282)**
Non-cash Loans	**-**	**1.034.096**	**83.673**	**626.108**	**368.523**	**6.249**	**-**	**2.118.649**

(*) Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL 664.968 and Other Liabilities includes hedging derivative financial liabilities amounting to TL 70.273. These accounts are mainly shown under the 1-5 year maturity period.
(**) Assets forming the balance sheet such as fixed and intangible assets, subsidiaries, associates and stationary stocks are classified in this column.
(***) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.
(****) Assets are shown with their net values in their related period by deducting allowances for expected credit losses.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued):

Breakdown of financial liabilities according to their remaining contractual maturities:

31 December 2018	**Demand and up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Above 5 years**	**Total**
Liabilities						
Deposits	12.120	84.769	-	-	-	**96.889**
Funds borrowed from other financial institutions	6.185.838	2.786.208	995.560	28.269	-	**9.995.875**
Funds from money market	226.984	232.288	2.401.959	5.438.539	859.978	**9.159.748**
Payables to money market	8.922	-	-	173.017	-	**181.939**
Total	**6.433.864**	**3.103.265**	**3.397.519**	**5.639.825**	**859.978**	**19.434.451**

31 December 2017	**Demand and up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Above 5 years**	**Total**
Liabilities						
Deposits	93.496	-	-	-	-	**93.496**
Funds borrowed from other financial institutions	5.900.445	2.213.385	737.156	73	-	**8.851.059**
Funds from money market	395.650	136.075	2.679.943	3.488.955	1.222.862	**7.923.485**
Payables to money market	57.263	-	70.058	130.298	-	**257.619**
Total	**6.446.854**	**2.349.460**	**3.487.157**	**3.619.326**	**1.222.862**	**17.125.659**

Derivative instruments of group, counter-based maturity analysis:

31 December 2018	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 Years**	**Above 5 Years**	**Total**
Derivative instruments held for trading						
Exchange rate derivatives:						
- Entry	3.567.319	2.288.332	904.092	-	-	**6.759.743**
- Out	3.471.317	2.238.815	358.097	-	-	**6.068.229**
Interest rate derivatives:						
- Entry	6.527	5.204	9.014	13.800	1.495	**36.040**
- Out	5.858	2.283	11.239	26.058	619	**46.057**
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	21.766	196.286	366.940	1.447.913	-	**2.032.905**
- Out	24.129	132.153	315.139	1.340.465	-	**1.811.886**
Interest rate derivatives:						
- Entry	567	3.249	-	-	-	**3.816**
- Out	749	2.836	4.282	16.097	-	**23.964**
Total cash entry	**3.596.179**	**2.493.071**	**1.280.046**	**1.461.713**	**1.495**	**8.832.504**
Total cash out	**3.502.053**	**2.376.087**	**688.757**	**1.382.620**	**619**	**7.950.136**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED LIQUIDITY COVERAGE RATIO (Continued):

31 December 2017	Up to 1 month	1-3 months	3-12 months	1-5 Years	Above 5 years	Total
Derivative instruments held for trading						
Exchange rate derivatives:						
- Entry	4.419.699	1.787.948	799.512	2.771	-	**7.009.930**
- Out	4.048.708	1.506.560	252.405	2.567	-	**5.810.240**
Interest rate derivatives:						
- Entry	1.856	3.754	9.221	14.596	1.848	**31.275**
- Out	1.096	1.592	4.184	6.186	571	**13.629**
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	15.165	10.455	120.172	1.340.030	-	**1.485.822**
- Out	25.845	9.749	144.438	1.347.423	-	**1.527.455**
Interest rate derivatives:						
- Entry	265	1.328	195	67	-	**1.855**
- Out	625	2.020	3.058	16.255	-	**21.958**
Total cash entry	**4.436.985**	**1.803.485**	**929.100**	**1.357.464**	**1.848**	**8.528.882**
Total cash out	**4.076.274**	**1.519.921**	**404.085**	**1.372.431**	**571**	**7.373.282**

(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 2018, the leverage ratio of the Group calculated from the arithmetic average of the three months is 6,86% (31 December 2017: 5,38%). This ratio is above the minimum required. The most important reason for the difference in leverage ratio between current and prior period is the increase in the balance sheet and off-balance sheet assets.

Disclosure of leverage ratio template:

	31 December 2018 (*)	31 December 2017 (*)
Balance sheet assets		
Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	23.065.518	18.786.108
(Assets deducted from Core capital)	62.271	61.414
Total risk amount of balance sheet assets	23.003.247	18.724.694
Derivative financial assets and credit derivatives		
Cost of replenishment for derivative financial assets and credit derivatives	1.021.621	352.414
Potential credit risk amount of derivative financial assets and credit derivatives	147.532	112.968
Total risk amount of derivative financial assets and credit derivatives	1.169.153	465.382
Financing transactions secured by marketable security or commodity		
Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	-	-
Risk amount arising from intermediary transactions	-	-
Total risk amount of financing transactions secured by marketable security or commodity	-	-
Off-balance sheet transactions		
Gross notional amount of off-balance sheet transactions	3.554.290	3.120.668
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.554.290	3.120.668
Capital and total risk		
Core Capital	1.894.917	1.200.996
Total risk amount	27.726.690	22.310.744
Leverage ratio		
Leverage ratio	6,86%	5,38%

(*) The arithmetic average of the last 3 months in the related periods.

(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 2018, The Group applies cash flow hedge accounting using interest swaps to hedge its FC deposits and other liabilities with an average maturity up to 3 months against interest rate fluctuations. The Group implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

As of the balance sheet date, derivative financial receivables with a carrying amount of TL 664.968 (31 December 2017: TL 269.300) and derivative financial payables with a carrying amount of TL 70.273 (31 December 2017: TL 53.975), are subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, fair value income at the amount of TL 40.960 (31 December 2017: TL 18.341 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 December 2017: None).

Hedging Instrument	Hedging Subject	Exposed Risk	Hedging Instruments Fair Value		Hedging Funds	Ineffective Part Accounted in Income Statement (Net)
			Assets	Liabilities		
Cross Currency Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	657.137	66.918	78.520	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	7.831	3.355	2.696	-

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in IFRS 9, the accounting application is ended. In case of deterioration of efficiency, the effective amounts, which are recognized under the equity due to the risk hedge accounting, are eliminated from equities in the periods or periods, when cash flow effects profit and losses (periods, when interest income or expenses are recognized) as re-classification adjustment and then it is re-classified in the profit and loss. There is no amount, which is transferred to income statement due to the swaps, of which effectiveness is damaged or closed in the current period (31 December 2017: None).

The measurements conducted as of 31 December 2018 show that the cash flow hedging transactions shown above are effective.

(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. EXPLANATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES:

a. Financial Assets and Liabilities at their fair values:

The fair values of held-to-maturity assets are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of the demand placements and deposits represents the amount to be paid upon request. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the Bank's current interest rates as of balance sheet date.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the Bank's current interest rates for fixed interest loans. For the loans with floating interest rates, it is assumed that the book value reflects the fair value.

The expected fair value of bank placements, money market placements and bank deposits are determined by calculating the discounted cash flows using the current market interest rates of similar assets and liabilities. The book value represents the sum of acquisition cost and accumulated interest accruals of the related assets and liabilities.

The following table summarises the book values and fair values of some financial assets and liabilities of the Group.

	Book Value		Fair Value	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Financial Assets	**18.066.572**	**13.914.286**	**18.330.873**	**16.285.244**
Due from Money Market	9.000	11.000	9.000	11.000
Due from Banks (*)	638.421	168.729	638.458	168.729
Available-for-Sale Financial Assets	393.149	276.595	397.693	276.595
Held-to-maturity Investments	236.801	171.218	229.285	171.897
Loans	16.789.201	13.286.744	17.056.437	15.657.023
Financial Liabilities	**19.331.274**	**16.449.722**	**19.571.155**	**16.686.051**
Bank Deposits	96.724	93.489	96.712	93.480
Other Deposits	9.818.576	8.778.982	9.857.850	8.792.759
Borrowings	8.460.079	7.223.344	8.660.698	7.445.905
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	955.895	353.907	955.895	353.907

(*) Includes TCMB time deposits.

(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. EXPLANATION REGARDING 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 2018	**1st Level**	**2nd Level**	**3rd Level**	**Total**
Financial Assets at Fair Value Through Profit or Loss	12.771	481.231	-	**494.002**
Government Debt Securities	12.055	-	-	**12.055**
Due from Money Market	-	-	-	-
Derivative financial assets at fair value through profit or loss	-	481.231	-	**481.231**
Other financial assets	716	-	-	**716**
Financial Assets at Fair Value Through other comprehensive income	383.193	9.956	-	**393.149**
Share Certificates	-	9.456	-	**9.456**
Government Debt Securities	383.193	-	-	**383.193**
Other financial assets	-	500	-	**500**
Derivative financial assets at fair value through other comprehensive income	-	664.968	-	**664.968**
Total Assets	**395.964**	**1.156.155**	-	**1.552.119**
Derivative financial liabilities at fair value through profit or loss	-	288.925	-	**288.925**
Derivative financial liabilities at fair value through other comprehensive income	-	70.273	-	**70.273**
Total Liabilities	-	**359.198**	-	**359.198**

(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. EXPLANATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES (Continued):

31 December 2017	**1st Level**	**2nd Level**	**3rd Level**	**Total**
Financial Assets at Fair Value Through Profit or Loss	5.543	138.396	-	**143.939**
Government Debt Securities	5.310	-	-	**5.310**
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	138.396	-	**138.396**
Other Marketable Securities	233	-	-	**233**
Available for Sale Financial Assets (*)	266.946	9.649	-	**276.595**
Share Certificates	-	8.929	-	**8.929**
Government Debt Securities	266.946	-	-	**266.946**
Other Marketable Securities	-	720	-	**720**
Hedging Derivative Financial Assets	-	269.300	-	**269.300**
Total Assets	**272.489**	**417.345**	-	**689.834**
Trading Derivative Financial Liabilities	-	160.778	-	**160.778**
Hedging Derivative Financial Liabilities	-	53.975	-	**53.975**
Total Liabilities	-	**214.753**	-	**214.753**

(*) As noted in the footnote VII-d, written down values of available for sale securities are reported if such securities are not traded in the markets and if the fair market value of such securities cannot be determined for any reason. There are no transfers between 1st and 2nd levels in the current period.

XII. EXPLANATION ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES:

Bank carries out marketable security trading and custody services on behalf of customers and on their account. The details of items held in custody is given in off-balance sheet commitments.

XIII. EXPLANATIONS ON OPERATING SEGMENTS:

The Parent Bank manages its banking operations through three main business units; Retail banking, corporate, commercial and SME banking and treasury.

Retail banking provides products and services to individual and private customers. Products and services include primarily deposit, loan, credit card, automatic payment services, internet banking and other various banking services.

Corporate and commercial banking provides loan, deposit, cash management products, foreign trade financing, non-cash loans, foreign currency transaction services and other corporate banking services to small, medium and large sized corporate clients.

Treasury transactions include fixed income security investments, fund management, foreign currency transactions, money market transactions, derivative transactions and other related services.

(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:

Stated balance sheet and income statement items based on operating segments:

The prior period information is presented as of 31 December 2017 for balance sheet items and for income statement items.

31 December 2018	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified (*)	Total Operations of the Bank
Net Interest Income	141.202	523.394	(27.016)	92.252	729.832
Net Fees and Commissions	5.048	23.109	-	4.007	32.164
Trading Profit/Loss	7.089	14.072	45.217	5.445	71.823
Other Operating Income	2.956	12.465	-	21.806	37.227
Operating Income	**156.295**	**573.040**	**18.201**	**123.510**	**871.046**
Operating Costs (-)	**94.757**	**356.348**	**33.214**	**178.363**	**662.682**
Net Operating Income	**61.538**	**216.692**	**(15.013)**	**(54.853)**	**208.364**
Dividend Income	-	-	-	700	**700**
Income/Loss from subsidiaries based on equity method	-	-	-	-	-
Profit Before Tax	**61.538**	**216.692**	**(15.013)**	**(54.153)**	**209.064**
Tax Provisions (-)	13.539	47.672	(3.303)	(10.603)	47.305
Net Profit/(Loss)	**47.999**	**169.020**	**(11.710)**	**(43.550)**	**161.759**
Segment Assets	1.730.837	13.814.554	3.245.940	2.851.415	21.642.746
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-
Unallocated Assets	-	-	-	386.119	**386.119**
Total Assets	**1.730.837**	**13.814.554**	**3.245.940**	**3.237.534**	**22.028.865**
Segments Liabilities	7.300.928	2.443.397	6.583.714	3.824.846	20.152.885
Unallocated Liabilities	-	-	-	1.875.980	1.875.980
Total Liabilities	**7.300.928**	**2.443.397**	**6.583.714**	**5.700.826**	**22.028.865**

(*) Other operations include operations of Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş. and its affiliated partner Burgan Wealth Limited Dubai which are consolidated as affiliated partners of the Parent Bank.

(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 2017	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified (*)	Total Operations of the Bank
Net Interest Income	66.484	345.894	30.387	69.107	511.872
Net Fees and Commissions	5.834	25.182	-	9.707	40.723
Trading Profit/Loss	7.850	18.635	(9.037)	167	17.615
Other Operating Income	2.748	10.823	-	15.062	28.633
Operating Income	**82.916**	**400.534**	**21.350**	**94.043**	**598.843**
Operating Costs (-)	**68.023**	**216.889**	**25.850**	**140.195**	**450.957**
Net Operating Income	**14.893**	**183.645**	**(4.500)**	**(46.152)**	**147.886**
Dividend Income	-	-	-	330	330
Income/(Loss) from subsidiaries based on equity method	-	-	-	-	-
Profit Before Tax	**14.893**	**183.645**	**(4.500)**	**(45.822)**	**148.216**
Tax Provisions (-)	2.978	36.729	(900)	(439)	38.368
Net Profit / Loss	**11.915**	**146.916**	**(3.600)**	**(45.383)**	**109.848**
31 December 2017	1.320.669	13.068.773	1.885.589	2.226.054	18.501.085
Segment Assets	-	-	-	-	-
Investments in associates, subsidiaries and joint ventures	-	-	-	253.613	253.613
Unallocated Assets					
Total Assets	**1.320.669**	**13.068.773**	**1.885.589**	**2.479.667**	**18.754.698**
Segments Liabilities	5.749.776	3.020.524	5.875.421	2.596.502	17.242.223
Unallocated Liabilities	-	-	-	1.512.475	1.512.475
Total Liabilities	**5.749.776**	**3.020.524**	**5.875.421**	**4.108.977**	**18.754.698**

(*) Other operations include operations of Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş. and partners Burgan Portföy Yönetimi A.Ş. and Burgan Wealth Limited Dubai which are consolidated as an affiliated partners of the Parent Bank.

(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 2018		31 December 2017	
	TL	FC	TL	FC
Cash/Foreign currency	14.108	70.171	12.427	39.651
CBRT	1.359.170	1.302.967	1.022.011	953.251
Other	-	-	-	-
Total	**1.373.278**	**1.373.138**	**1.034.438**	**992.902**

2. Information on the account of the CBRT:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Demand Unrestricted Amount	1.159.045	549.040	955.529	6.766
Time Unrestricted Amount	200.125	241.688	66.482	-
Time Restricted Amount	-	512.239	-	946.485
Total	**1.359.170**	**1.302.967**	**1.022.011**	**953.251**

3. Information on reserve requirements:

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Parent Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD and standard gold. CBRT started paying interest on reserve balances held in FC starting from May 2015 and held in TL starting from November 2014.

As of 31 December 2018, The valid TL required reserve rates vary between 1,5% and 8% according to their maturities (31 December 2017: Between 4% and 10,5%). The valid foreign currency required reserve rates vary between 4% and 20% according to their maturities (31 December 2017: Between 4% and 24%).

(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. As of 31 December 2018, there is no amount subject to repo transactions from financial assets at fair value through profit or loss (31 December 2017: None).
2. Positive differences related to derivative financial assets at fair value through profit or loss:

	31 December 2018	
	TL	**FC**
Forward Transactions	19.713	4.002
Swap Transactions	177.441	225.372
Futures Transactions	-	-
Options	611	54.092
Other	-	-
Total	**197.765**	**283.466**

	31 December 2017	
	TL	**FC**
Forward Transactions	23.695	9.926
Swap Transactions	43.395	33.376
Futures Transactions	-	-
Options	1.722	26.282
Other	-	-
Total	**68.812**	**69.584**

c. Information on banks:

1. Information on banks:

	31 December 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Banks				
Domestic	3.267	4.553	167	13.140
Foreign	-	188.788	9	155.413
Headquarters and Branches Abroad	-	-	-	-
Total	**3.267**	**193.341**	**176**	**168.553**

2. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
EU Countries	37.439	11.626	-	-
USA, Canada	13.199	7.932	-	-
OECD Countries (*)	444	3.608	-	-
Off-shore Banking Regions	-	-	-	-
Others	137.706	132.256	-	-
Total	**188.788**	**155.422**	**-**	**-**

(*) OECD countries except EU countries, USA and Canada

(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. Characteristics and carrying values of available-for-sale financial assets given as collateral and subject to repo transactions:

   As of 31 December 2018, there are TL 31.699 available-for-sale financial assets given as collateral/blocked (31 December 2017: TL 54.280) and there are none subject to repurchase agreements (31 December 2017: TL 115.358).

2. Information on financial assets at fair value through other comprehensive income:

	31 December 2018
Debt Securities	404.851
Quoted on Stock Exchange	404.851
Not Quoted	-
Share Certificates	9.456
Quoted on Stock Exchange	-
Not Quoted	9.456
Impairment Provision (-)	21.158
Total	**393.149**

Information on available-for-sale financial assets:

	31 December 2017
Debt Securities	269.957
Quoted on Stock Exchange	269.957
Not Quoted	-
Share Certificates	8.929
Quoted on Stock Exchange	-
Not Quoted	8.929
Impairment Provision (-)	2.291
Total	**276.595**

e. Explanations on loans:

1. Information on all types of loan or advance balances given to shareholders and employees of the Group:

	31 December 2018		**31 December 2017**	
	Cash	**Non-cash**	**Cash**	**Non-cash**
Direct Loans Granted To Shareholders	-	149.865	-	-
Corporate Shareholders	-	149.865	-	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted To Shareholders	-	-	-	-
Loans Granted To Employees	3.680	-	4.660	-
Total	**3.680**	**149.865**	**4.660**	**-**

(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):

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	12.144.142	1.180.588	674.931	-
Loans given to enterprises	-	-	-	-
Export Loans	723.256	5.707	65	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	431.155	-	-	-
Consumer Loans	615.626	30.819	10.350	-
Credit Cards	-	-	-	-
Other (*)	10.374.105	1.144.062	664.516	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**12.144.142**	**1.180.588**	**674.931**	-

(*) The Group also has factoring receivables amounting to TL 7 under the Other account.
(**) Standard loans also include Burgan Yatırım's loans given out to clients.

ii.

Number of Modifications Made to Extend Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 times	-	647.155
3,4 or 5 times	-	27.776
Over 5 times	-	-
Total	-	**674.931**

iii.

Extended Period of Time	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	267.038
6 Months – 12 Months	-	10.567
1-2 Years	-	48.676
2-5 Years	-	329.809
5 Years and Over	-	18.841
Total	-	**674.931**

iv.

	Standard Loans	Loans Under Close Monitoring
General Provisions	**131.872**	**330.783**
12 Month Expected Credit Losses	131.872	-
Significant Increase in Credit Risk	-	330.783

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued):

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (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 and Other Receivables	2.747.291	170.340	12.102
Medium and Long-term Loans and Other Receivables	9.396.851	1.010.248	662.829
TOTAL	**12.144.142**	**1.180.588**	**674.931**

(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 ASSETS (Continued):

4. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short- term	Medium and Long-term	Total
Consumer Loans-TL	**33.337**	**606.089**	**639.426**
Real estate loans	-	90.926	90.926
Automotive loans	191	24.509	24.700
Consumer loans	33.146	490.654	523.800
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-FC	**98**	**5.753**	**5.851**
Real estate loans	-	5.256	5.256
Automotive loans	-	-	-
Consumer loans	98	497	595
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With installments	-	-	-
Without installments	-	-	-
Individual Credit Cards-FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Personnel Loans-TL	**297**	**3.383**	**3.680**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	297	3.383	3.680
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With installments	-	-	-
Without installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Credit Deposit Account-TL (Real Person)	**7.838**	-	**7.838**
Credit Deposit Account-FC (Real Person)	-	-	-
Total	**41.570**	**615.225**	**656.795**

(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	**13.806**	**1.218.939**	**1.232.745**
Real estate loans	-	-	-
Automotive loans	69	3.523	3.592
Consumer loans	13.737	1.215.416	1.229.153
Other	-	-	-
Commercial Installments Loans-FC Indexed	**7.810**	**442.841**	**450.651**
Real estate loans	-	-	-
Automotive loans	-	1.747	1.747
Consumer loans	7.810	441.094	448.904
Other	-	-	-
Commercial Installments Loans-FC	**79.078**	**5.008.650**	**5.087.728**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	79.078	5.008.650	5.087.728
Other	-	-	-
Corporate Credit Cards-TL	**-**	**-**	**-**
With installment	-	-	-
Without installment	-	-	-
Corporate Credit Cards-FC	**-**	**-**	**-**
With installment	-	-	-
Without installment	-	-	-
Credit Deposit Account-TL (Legal Person)	**21**	**-**	**21**
Credit Deposit Account-FC (Legal Person)	**-**	**-**	**-**
Total	**100.715**	**6.670.430**	**6.771.145**

6. Loans according to types of borrowers:

	31 December 2018	31 December 2017
Public	-	-
Private	13.999.661	13.111.165
Total	**13.999.661**	**13.111.165**

7. Distribution of domestic and foreign loans:

	31 December 2018	31 December 2017
Domestic Loans	13.999.661	13.111.165
Foreign Loans	-	-
Total	**13.999.661**	**13.111.165**

8. Loans given to investments in associates and subsidiaries:

None (31 December 2017: None).

(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 2018
Loans with Limited Collectability	33.993
Loans with Doubtful Collectability	74.784
Uncollectible Loans	152.674
Total	**261.451**

	31 December 2017
Loans and Other Receivables with Limited Collectability	4.648
Loans and Other Receivables with Doubtful Collectability	14.810
Uncollectible Loans and Other Receivables	199.815
Total	**219.273**

10. Information on non-performing loans (Net):

i. Information on loans and other receivables that are restructured or rescheduled by the Parent Bank:

	III. Group	**IV. Group**	**V. Group**
	Loans with limited collectability	**Loans with doubtful collectability**	**Uncollectible loans**
31 December 2018			
Gross Amounts before the Provisions	-	-	-
Restructured Loans	-	-	**9.868**

	III. Group	**IV. Group**	**V. Group**
	Loans and other receivables with limited collectability	**Loans and other receivables with doubtful collectability**	**Uncollectible loans and other receivables**
31 December 2017			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	-	**6.069**

(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	**66.811**	**56.476**	**271.565**
Additions (+)	768.613	109.209	127.615
Transfers from Other Categories of Non-performing Loans (+)	-	463.769	137.047
Transfers to Other Categories of Non-performing Loans (-)	464.246	136.570	-
Collections (-)	30.480	107.131	141.744
Write-offs (-)	-	-	-
Sold Portfolio (-) (*)	150.856	11.873	87.207
Corporate and Commercial Loans	150.856	11.873	81.353
Consumer Loans	-	-	5.497
Credit Cards	-	-	357
Other	-	-	-
Balance at the End of the Period	**189.842**	**373.880**	**307.276**
Specific Provision (-)	**33.993**	**74.784**	**152.674**
Net Balance on Balance Sheet	**155.849**	**299.096**	**154.602**

(*) The Bank sold non-performing loans amounting to TL 99.080 to Efes Varlık Yönetimi A.Ş for TL 305 on 28 June 2018 and sold non-performing loans amounting to TL 150.856 to Mega Varlık Yönetimi A.Ş for TL 275 on 28 December 2018 and, did write-off from the the Bank's asset.

iii. Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
31 December 2018			
Period-End Balance	96.109	141.519	106.952
Specific Provision (-)	11.523	51.156	73.885
Net Balance on balance sheet	**84.586**	**90.363**	**33.067**

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 December 2017			
Period-End Balance	3.404	14.867	91.901
Specific Provision (-)	443	3.946	75.078
Net Balance on balance sheet	**2.961**	**10.921**	**16.823**

(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

31 December 2018	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
Current Period (Net)	**155.849**	**299.096**	**154.602**
Loans Given to Real Persons and Legal Persons (Gross)	108.534	326.980	250.933
Specific Provision Amount (-)	27.807	57.490	109.449
Loans Given to Real Persons and Legal Persons (Net)	80.727	269.490	141.484
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	81.308	46.900	56.343
Specific Provision Amount (-)	6.186	17.294	43.225
Other Loans and Receivables (Net)	75.122	29.606	13.118

31 December 2017	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
Prior Period (Net)	**62.163**	**41.666**	**71.750**
Loans Given to Real Persons and Legal Persons (Gross)	66.345	50.910	228.406
Specific Provision Amount (-)	4.554	12.027	165.724
Loans Given to Real Persons and Legal Persons (Net)	61.791	38.883	62.682
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	466	5.566	43.159
Specific Provision Amount (-)	94	2.783	34.091
Other Loans and Receivables (Net)	372	2.783	9.068

11. Policy followed-up for the collection of uncollectible loans and other receivables::

The Bank aims to collect uncollectible loans and other receivables through the liquidation of collaterals by legal procedures.

12. Explanations on the write-off policy:

The write off transactions are performed in accordance with the regulation.

(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 IFRS 9:

	III. Group:	IV. Group:	V. Group:
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (Net)	**19.841**	**23.591**	**1.259**
Interest Accruals and Valuation Differences	23.285	37.506	1.266
Provision Amount (-)	3.444	13.915	7
Prior Period (Net)	-	-	-
Interest Accruals and Valuation Differences	-	-	-
Provision Amount (-)	-	-	-

g. Information on financial assets measured at amortized cost:

1. Information on held-to-maturity financial assets subject to repurchase agreements:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Similar Securities	-	222.667	-	171.218
Other	-	-	-	-
Total	**-**	**222.667**	**-**	**171.218**

2. Information on held-to-maturity financial assets given as collateral/blocked:

None. (31 December 2017: None)

3. Information on government debt securities held-to-maturity:

	31 December 2018	31 December 2017
Government Bond	236.801	171.218
Treasury Bond	-	-
Other Public Debt Securities	-	-
Total	**236.801**	**171.218**

4. Information on investment securities held-to-maturity:

	31 December 2018	31 December 2017
Debt securities	236.801	171.218
Publicly-traded	236.801	171.218
Not publicly-traded	-	-
Provision for impairment	-	-
Total	**236.801**	**171.218**

5. Movement of held-to-maturity investments within the period:

	31 December 2018	31 December 2017
Opening balance	171.218	161.607
Foreign exchange differences in monetary assets	65.583	9.611
Purchases during the year	-	-
Disposals through Sales and Redemptions	-	-
Value decrease equivalent (-)	-	-
Period end balance	**236.801**	**171.218**

(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):

h. Information on investments in associates (Net):

None. (31 December 2017: None).

i. Information on subsidiaries (Net):

1. Capital adequacy situation of major subsidiaries:

   The Parent Bank does not need any capitals arising from subsidiaries who inserted capital adequacy standard ratio.

2. Information on unconsolidated subsidiaries:

   None. (31 December 2017: None).

3. Main financial figures of the unconsolidated subsidiaries in order of the below table:

   None. (31 December 2017: None).

4. Information on consolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage, if different voting percentage (%)	Other shareholders' share percentage (%)
1	Burgan Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	0,01
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) in order start its liquidation process anda to cancel its license, and the liquidation process of the company is still ongoing.

5. Main financial figures of the consolidated subsidiaries in the order of the above table:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	2.926.387	256.084	3.106	233.934	-	35.860	34.559	-
2 (*)	140.367	125.091	2.281	18.265	148	(2.192)	(17.391)	-

(*) The consolidated values of Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary Burgan Wealth Limited Dubai.

(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):

6. Movement schedules of subsidiaries:

	31 December 2018	31 December 2017
Balance at the beginning of the Period	**256.972**	**237.171**
Movements during the Period	**124.119**	**19.801**
Purchases	116.000	-
Bonus Shares Obtained	70.000	-
Dividends from Current Year Income	33.668	-
Sales	-	-
Revaluation Increase/Decrease (*)	(95.549)	19.801
Impairment Provision	-	-
Balance at the end of the Period	**381.091**	**256.972**
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	**99,99%**	**99,99%**

(*) Includes the data before consolidation procedures.

7. Sectoral information on consolidated financial subsidiaries and the related carrying amounts:

Subsidiaries	31 December 2018	31 December 2017
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	265.572	206.686
Finance Companies	-	-
Other Financial Subsidiaries	115.519	50.286
Total	**381.091**	**256.972**

(*) Includes data given prior to consolidation applications.

8. Subsidiaries quoted on stock exchange:

None (31 December 2017: None).

j. Information on joint ventures:

None. (31 December 2017: None).

k. Information on lease receivables (net):

Presentation of financial lease receivables based on their days to maturity:

	31 December 2018		31 December 2017	
	Gross	Net	Gross	Net
Less than 1 year	931.200	749.438	676.982	533.839
Between 1-4 years	1.866.713	1.506.211	1.418.184	1.162.344
More than 4 years	401.328	358.862	313.922	275.695
Total	**3.199.241**	**2.614.511**	**2.409.088**	**1.971.878**

(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):

l. Information on fair value hedging derivative financial assets:

	31 December 2018	
	TL	**FC**
Fair Value Hedge	-	-
Cash Flow Hedge	636.228	28.740
Foreign Net Investment Hedge	-	-
Total	**636.228**	**28.740**

	31 December 2017	
	TL	**FC**
Fair Value Hedge	-	-
Cash Flow Hedge	257.159	12.141
Foreign Net Investment Hedge	-	-
Total	**257.159**	**12.141**

m. Information on tangible assets:

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2016				
Cost	25.797	9.298	85.392	120.487
Accumulated depreciation (-)	2.997	622	42.712	46.331
Net book value	**22.800**	**8.676**	**42.680**	**74.156**
31 December 2017				
Net book value at beginning of the period	22.800	8.676	42.680	74.156
Additions	-	14.143	7.185	21.328
Disposals (-), net	-	10.064	779	10.843
Impairment (-)	-	-	-	-
Depreciation (-)	450	1.388	10.853	12.691
Revaluation Increase	150	-	-	150
Cost at Period End	25.947	12.853	86.325	125.125
Accumulated Depreciation at Period End (-)	3.447	1.486	48.092	53.025
Closing Net Book Value at Period End	**22.500**	**11.367**	**38.233**	**72.100**

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2017				
Cost	25.947	12.853	86.325	125.125
Accumulated depreciation (-)	3.447	1.486	48.092	53.025
Net book value	**22.500**	**11.367**	**38.233**	**72.100**
31 December 2018				
Net book value at beginning of the period	22.500	11.367	38.233	72.100
Additions	-	-	11.425	11.425
Disposals (-), net	-	8.817	1.578	10.395
Impairment (-)	-	-	-	-
Depreciation (-)	475	314	10.329	11.118
Revaluation Increase	1.725	-	-	1.725
Cost at Period End	27.672	2.824	89.794	120.290
Accumulated Depreciation at Period End (-)	3.922	588	52.043	56.553
Closing Net Book Value at Period End	**23.750**	**2.236**	**37.751**	**63.737**

(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 2018	31 December 2017
Gross Book Value	104.863	95.408
Accumulated Depreciation (-)	59.860	48.100
Net Book Value	**45.003**	**47.308**

2. Information on movements between the beginning and end of the period:

	31 December 2018	31 December 2017
Beginning of the Period	**47.308**	**49.524**
Internally Generated Amounts	-	-
Additions due to Mergers, Transfers and Acquisitions	10.774	8.452
Disposals	960	-
Amount Accounted under Revaluation Reserve	-	-
Impairment	-	-
Impairment Reversal	-	-
Amortisation (-)	12.119	10.668
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
End of the Period	**45.003**	**47.308**

o. Information on investment properties:

None (31 December 2017: None).

p. Information on deferred tax asset:

As of 31 December 2018, the Group has netted-off the calculated deferred tax asset of TL 193.273 (31 December 2017: TL 34.676) and deferred tax liability of TL 176.516 (31 December 2017: TL 54.058) on the basis of company in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 22.960 and has recorded a net deferred tax liability of TL 6.203 (31 December 2017: TL 14.099 net deferred tax asset and TL 33.481 net deferred tax liability) in the financial statements.

(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):

	Accumulated Temporary Differences		**Deferred Tax Assets/Liabilities**	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Carried Financial Loss (*)	247.448	8.732	54.264	1.746
Provision for Legal Cases	9.535	8.864	2.053	1.912
General Provisions and Other Provisions	563.440	77.523	123.957	17.055
Reserve for Employee Rights	17.869	21.749	3.904	4.775
Valuation Differences of Derivative Instruments	-	5.049	-	1.110
Unearned Revenue	30.847	24.015	6.786	5.283
Other	10.583	12.735	2.309	2.795
Deferred Tax Assets	**879.722**	**158.667**	**193.273**	**34.676**
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	28.549	29.627	3.843	4.257
Valuation Differences of Derivative Instruments	781.690	216.678	171.971	47.670
Other	3.397	9.688	702	2.131
Deferred Tax Liabilities	**813.636**	**255.993**	**176.516**	**54.058**
Deferred Tax Assets/(Liabilities) (Net)	**66.086**	**(97.326)**	**16.757**	**(19.382)**

(*) The Group will be able to use TL 6.200 to be paid in the corporate tax calculation until 2020, TL 2.532 to be paid until 2021, TL 238.716 to be paid until 2023 from the total carried financial loss of TL 247.053.

The deferred tax asset/liability summary is as follows:

	31 December 2018	**31 December 2017**
Balance as of 1 January	**(19.382)**	**(5.506)**
Current year deferred tax income/(expense), net	(36.916)	(8.896)
Deferred tax charged to equity, net (*)	73.055	(4.980)
Balance at the End of the Period	**16.757**	**(19.382)**

(*) The deferred tax asset accounted under equity includes the IFRS 9 transition effect.

(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):

q. Information on assets held for resale and discontinued operations:

The Group has assets held for resale amounting to TL 113.385 (31 December 2017: TL 45.095) and has no discontinued operations.

	31 December 2018	31 December 2017
Prior Period		
Cost	45.662	46.342
Accumulated Depreciation (-)	567	831
Net Book Value	**45.095**	**45.511**
Current Period		
Net book value at beginning of the period	45.095	45.511
Additions	77.305	13.340
Disposals (-), net	8.146	13.313
Impairment (-)	869	397
Depreciation (-)	-	46
Cost	113.895	45.662
Accumulated Depreciation (-)	510	567
Closing Net Book Value	**113.385**	**45.095**

r. Information on other assets:

Other assets amount to TL 238.328 (31 December 2017: TL 242.423) and does not exceed 10% of the total assets excluding off-balance sheet commitments.

(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 2018:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months - 1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.698	-	364.605	2.199.389	565.681	124.414	305.627	-	**3.591.414**
Foreign Currency Deposits	170.911	-	452.064	4.007.115	748.184	86.839	203.012	-	**5.668.125**
Residents in Turkey	152.526	-	448.736	3.975.699	743.045	84.735	198.942	-	**5.603.683**
Residents Abroad	18.385	-	3.328	31.416	5.139	2.104	4.070	-	**64.442**
Public Sector Deposits	6.647	-	-	-	-	-	-	-	**6.647**
Commercial Deposits	79.298	-	134.063	125.571	14.444	33.257	26.208	-	**412.841**
Other Institutions Deposits	1.457	-	1.563	130.559	166	5.804	-	-	**139.549**
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	8.651	-	88.073	-	-	-	-	-	**96.724**
The CBRT	-	-	88.073	-	-	-	-	-	**88.073**
Domestic Banks	162	-	-	-	-	-	-	-	**162**
Foreign Banks	8.489	-	-	-	-	-	-	-	**8.489**
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**298.662**	-	**1.040.368**	**6.462.634**	**1.328.475**	**250.314**	**534.847**	-	**9.915.300**

ii. 31 December 2017:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months - 1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.527	-	225.597	2.333.196	100.087	78.556	76.825	-	**2.845.788**
Foreign Currency Deposits	178.981	-	364.155	3.662.979	900.151	156.529	27.762	-	**5.290.557**
Residents in Turkey	165.575	-	343.962	3.625.377	887.658	155.010	24.659	-	**5.202.241**
Residents Abroad	13.406	-	20.193	37.602	12.493	1.519	3.103	-	**88.316**
Public Sector Deposits	5.699	-	-	-	-	-	-	-	**5.699**
Commercial Deposits	98.518	-	40.860	168.917	19.354	23.409	206.176	-	**557.234**
Other Institutions Deposits	5.582	-	1.039	38.819	2.097	21.205	10.962	-	**79.704**
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	6.643	-	86.846	-	-	-	-	-	**93.489**
The CBRT	-	-	65.720	-	-	-	-	-	**65.720**
Domestic Banks	120	-	21.126	-	-	-	-	-	**21.246**
Foreign Banks	6.523	-	-	-	-	-	-	-	**6.523**
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**326.950**	-	**718.497**	**6.203.911**	**1.021.689**	**279.699**	**321.725**	-	**8.872.471**

(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:

Saving Deposits	Under the guarantee of deposit insurance 31 December 2018	Under the guarantee of deposit insurance 31 December 2017	Exceeding limit of the deposit insurance 31 December 2018	Exceeding limit of the deposit insurance 31 December 2017
Saving Deposits	931.241	696.957	2.660.173	2.148.831
Foreign Currency Savings Deposit	321.901	244.679	3.158.476	2.688.262
Other Deposits in the Form of Savings Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Total	**1.253.142**	**941.636**	**5.818.649**	**4.837.093**

ii. There are no deposits covered under foreign authorities' insurance since the Parent Bank is incorporated in Turkey.

3. Saving deposits of real persons which are not under the guarantee of saving deposit insurance fund:

	31 December 2018	31 December 2017
Deposits and Other Accounts in Foreign Branches	-	-
Deposits and Other Accounts of Main Shareholders and their Families	-	-
Deposits and Other Accounts of President of Board of Directors, Members of Board of Directors, Vice General Managers and Their Families	9.119	23.562
Deposits and Other Accounts of Property Assets Value due to Crime which is in the Scope of Article 282 of Numbered 5237 "TCK" Dated 26/9/2004	-	-
Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations	-	-
Total	**9.119**	**23.562**

(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):

b. Information on derivative financial liabilities at fair value through profit or loss:

Schedule of negative differences concerning derivative financial liabilities at fair value through profit or loss:

	31 December 2018		31 December 2017	
Trading Derivative Financial Liabilities	**TL**	**FC**	**TL**	**FC**
Forward Transactions	113.297	1.618	18.993	2.876
Swap Agreements	83.558	40.991	51.286	60.576
Futures Transactions	-	-	-	-
Options	-	49.461	307	26.740
Other	-	-	-	-
Total	**196.855**	**92.070**	**70.586**	**90.192**

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 December 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
The CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	128.809	219.470	115.370	296.886
From Foreign Banks, Institutions and Funds	-	6.512.328	90.435	5.580.071
Total	**128.809**	**6.731.798**	**205.805**	**5.876.957**

2. Information on maturity structure of borrowings:

	31 December 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Short-term	128.809	1.327.061	205.805	733.471
Medium and Long-term	-	5.404.737	-	5.143.486
Total	**128.809**	**6.731.798**	**205.805**	**5.876.957**

3. Additional information on the major concentration of the Group's liabilities:

The Group's main funding sources are deposits and borrowings. As of 31 December 2018, deposits and borrowings from Group's risk group comprise 0,24% (31 December 2017: 0,4%) of total deposits. Besides this, borrowings from Group's risk group comprise 67,28% (31 December 2017: 52,2%) of subordinated and other borrowings.

d. Information on marketable securities issued:

None (31 December 2017: None).

e. Information on other foreign liabilities:

Other foreign liabilities amounting to TL 1.110.644 (31 December 2017: TL 53.867 Other Foreign Liabilities and TL 353.907 Miscallenous Payables) do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

(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:

The contingent rent installments of financial lease contracts are determined by the price of commodity, market interest rates and the maturity of funding. The financial leasing contracts do not have any conditions which place significant commitments on the Group.

g. Information on hedging derivative financial liabilities:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Hedging Fair Value Risk	-	-	-	-
Hedging Cash Flow Risk	59.902	10.371	40.807	13.168
Hedging Net Investment In Foreign Operations	-	-	-	-
Total	**59.902**	**10.371**	**40.807**	**13.168**

h. Information on provisions:

1. Information on general provisions:

Are classified under assets in the current period due to the implementation of IFRS 9.

	31 December 2017
General Provisions	**107.566**
Provisions for First Group Loans and Receivables	94.018
Additional Provision for Loans and Receivables with Extended Maturities	-
Provisions for Second Group Loans and Receivables	10.911
Additional Provision for Loans and Receivables with Extended Maturities	-
Provisions for Non-Cash Loans	2.166
Other	471

(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 reserve for employment termination benefits:

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have been working more than one year, when employment is terminated due to obligatory reasons or they retire, when they have fulfilled 25 working years (women 20) and are eligible for retirement (for women 58 years, for men 60 years), when they have been called up for military service or when they die. After the amendment of legislation on 23 May 2002, some of the transition process articles related to the working period before retirement were enacted.

As of the date of 1 July 2018, the payment amount which is one month's salary for each working year is restricted to TL 5.434,42 (31 December 2017: TL 4.732,48). Employee termination benefits are not funded as there is no funding requirement.

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises. Independent actuaries are used in determining the liability of the Group. There are assumptions in the calculation as discount rate, employee turnover and expected salary increases. In this context, the following actuarial assumptions were used in the calculation of total liabilities:

	31 December 2018	**31 December 2017**
Discount rate (%)	4,07	3,26
Salary increase rate (%)	11,50	8,50
Average remaining work period (Year)	11,40	11,80

Movement of reserve for employment termination benefits during the period:

	31 December 2018	**31 December 2017**
As of January 1	12.478	10.499
Service cost	2.878	2.336
Interest cost	1.242	1.056
Settlement cost	240	936
Actuarial loss/gain	(325)	763
Benefits paid (-)	1.996	3.112
Total	**14.517**	**12.478**

In addition, as of 31 December 2018 the Group has accounted for vacation rights provision and personnel bonus provision amounting to TL 32.260 (31 December 2017: TL 24.035).

(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. Other provisions:

i. Information on provisions for possible risks:

	31 December 2017
Provisions for potential risks (*)	40.555
Total	**40.555**

(*) Includes the provisions allocated for risks that may arise in the future related to certain loans in the Bank’s loan portfolio.

ii. Information on other provisions:

The Bank set aside reserves under other provisions amounting to TL 9.535 (31 December 2017: TL 8.864) for lawsuits, TL 32.838 (31 December 2017: TL 2.389) for provisions for non-cash loans that are not converted to cash and are not indemnified, TL 2.179 (31 December 2017: TL 1.911) for customer cheques commitments and TL 334 provisions for other receivables (31 December 2017: TL 236).

4. Information on provisions related with foreign currency difference of foreign indexed loans:

The provisions related to foreign currency differences of foreign indexed loans calculated as of the balance sheet date have been netted-off from the loan amount in the financial statements, and the amount of the provision related to foreign currency differences of foreign indexed loans is TL 26 (31 December 2017: TL 1.407).

i. Information on taxes payable:

1. Information on tax provision:

As of 31 December 2018, TL 2.246 corporate tax provision has been allocated (31 December 2017: TL 11.300).

2. Information on taxes payable:

	31 December 2018	31 December 2017
Corporate Tax Payable	2.246	11.300
Taxation of Marketable Securities	9.727	8.567
Property Tax	78	104
Banking Insurance Transaction Tax	9.150	6.517
Value Added Tax Payable	535	585
Other	4.096	3.090
Total	**25.832**	**30.163**

(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 2018	31 December 2017
Social Security Premiums-Employee	1.404	2.254
Social Security Premiums-Employer	2.023	3.036
Bank Social Aid Pension Fund Premiums-Employee	-	-
Bank Social Aid Pension Fund Premiums-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	90	151
Unemployment Insurance-Employer	181	300
Other	40	213
Total	**3.738**	**5.954**

4. Explanations on deffered tax asset/liability:

As of 31 December 2018, the Group has netted-off the calculated deferred tax asset of TL 193.273 (31 December 2017: TL 34.676) and deferred tax liability of TL 176.516 (31 December 2017: TL 54.058) on a company basis in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 22.960 and has recorded a net deferred tax liability of TL 6.203 (31 December 2017: TL 14.099 net deferred tax asset, TL 33.481 net deferred tax liability) in the financial statements.

j. Information on payables for assets held for resale and discontinued operations:

None (31 December 2017: None).

(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 2018		31 December 2017	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.599.472	-	1.140.582
Other Foreign	-	-	-	-
Total	**-**	**1.599.472**	**-**	**1.140.582**

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Debt Instruments Subject to Common Equity	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments Subject to Tier 2 Equity	-	**1.599.472**	-	**1.140.582**
Subordinated Loans	-	1.599.472	-	1.140.582
Subordinated Debt Instruments	-	-	-	-
Total	-	**1.599.472**	-	**1.140.582**

(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:

1. Presentation of paid-in capital:

	31 December 2018	31 December 2017
Common Stock	1.535.000	1.185.000
Preferred Stock	-	-

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

Capital System	Paid-in Capital	Ceiling
Registered Capital	1.535.000	4.000.000

3. Information on the share capital increases during the period and their sources:

Capital Increase Date	Capital Increase Amount	Cash	Profit Reserves Related to Capital Increase	Capital Reserves Related to Capital Increase
16.03.2018	296	296	-	-
13.06.2018 (*)	347.647	347.647	-	-
08.08.2018 (*)	2.057	361	-	1.696
Total	**350.000**	**348.304**	-	**1.696**

(*) Following the Board of Directors' decision dated 30 May 2018, the Bank's total capital has been increased by TL 349.704.193,55, with this increase capital previously amounting to TL 1.185.295.806,45 has been increased to full TL 1.535.000.000. The main shareholder capital participation fee amounting to TL 347.647.411,43 has been collected as cash and the following amount has been transferred to the Bank's capital account with the permission of the BRSA as of 13 June 2018. The rights of preference usage process has been completed and the Bank's capital amounting to full TL 1.535.000.000 has been registered as of 8 August 2018.

4. Information on capital increases from capital reserves during the current period:

   None.

5. Information on capital commitments, up until the end of the fiscal year and the subsequent period:

   None.

6. Information on equity by considering the prior period 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 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
From Investments in Associates, Subsidiaries, and Controlled Partnerships (Joint Ventures)	-	-	-	-
Valuation Difference	(8.303)	(8.999)	(2.366)	(143)
Foreign Currency Translation Difference	-	-	-	-
Total	**(8.303)**	**(8.999)**	**(2.366)**	**(143)**

9. Information on tangible assets revaluation reserve:

	31 December 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Movables	-	-	-	-
Immovables	19.610	-	18.075	-
Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales Income from Immovables	1.413	-	-	-
Total	**21.023**	**-**	**18.075**	**-**

10. Information on distribution of prior year's profit:

Due to the General Assembly meeting decision on 30 March 2018, the profit of 2017 amounting to TL 109.848 (TAS 27) has not been distributed and has been classified as legal and extraordinary reserves.

(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 2018	31 December 2017
Foreign currency buy/sell commitments	557.476	191.967
Commitments for cheques	77.343	109.606
Loan limit commitments	74.242	334.480
Commitments for credit card limits	-	18.445
Promotions for the credit cards and care services of the bank	-	8
Capital Commitments for subsidiaries and joint ventures	-	14.997
Total	**709.061**	**669.503**

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments".

i. Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letters of credit:

	31 December 2018	31 December 2017
Letter of guarantees	1.686.184	1.740.052
Letter of credits	385.116	234.673
Bank acceptance loans	103.337	107.766
Other guarantees	145.330	36.130
Factoring guarantees	-	28
Total	**2.319.967**	**2.118.649**

ii. Revocable, irrevocable guarantees, contingencies and other similar guarantees:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Irrevocable letters of guarantee	516.187	407.282	643.291	396.530
Revocable letters of guarantee	7.141	37.908	29.024	70.284
Letters of guarantee given in advance	4.485	225.758	7.571	157.427
Guarantees given to customs	25.205	63.836	56.429	26.916
Other letters of guarantee	43.657	354.725	19.740	332.840
Total	**596.675**	**1.089.509**	**756.055**	**983.997**

(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 2018	31 December 2017
Non-cash loans given against cash loans	530.183	378.095
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	530.183	378.095
Other non-cash loans	1.789.784	1.740.554
Total	**2.319.967**	**2.118.649**

ii. Information on sectoral concentration of non-cash loans:

	31 December 2018				31 December 2017			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	**2.816**	**0,47**	**5.547**	**0,32**	**2.135**	**0,28**	**11.845**	**0,87**
Farming and Livestock	2.587	0,43	5.547	0,32	1.906	0,25	11.845	0,87
Forestry	-	-	-	-	-	-	-	-
Fishing	229	0,04	-	-	229	0,03	-	-
Manufacturing	**136.589**	**22,88**	**789.236**	**45,81**	**185.436**	**24,42**	**730.196**	**53,73**
Mining	64.282	10,77	183.117	10,63	64.056	8,43	126.684	9,32
Production	64.774	10,85	601.206	34,90	114.920	15,13	597.806	43,98
Electric, Gas, Water	7.533	1,26	4.913	0,29	6.460	0,85	5.706	0,42
Construction	**114.034**	**19,10**	**466.943**	**27,10**	**156.492**	**20,60**	**362.735**	**26,69**
Services	**297.399**	**49,81**	**422.773**	**24,54**	**336.805**	**44,34**	**205.034**	**15,09**
Wholesale and Retail Trade	30.865	5,17	106.608	6,19	65.451	8,62	43.200	3,18
Hotel and Food Services	469	0,08	627	0,04	7.598	1,00	19.458	1,43
Transportation and Telecommunication	23.209	3,89	14.743	0,86	26.452	3,48	4.980	0,37
Financial Institutions	220.587	36,94	174.788	10,15	219.187	28,86	63.844	4,70
Real Estate and Leasing Ser.	18.256	3,06	126.007	7,31	11.792	1,55	64.822	4,77
Professional Services	18	-	-	-	4.896	0,64	-	-
Education Services	2.070	0,35	-	-	106	0,01	1.698	0,12
Health and Social Services	1.925	0,32	-	-	1.323	0,17	7.032	0,52
Other	**46.248**	**7,75**	**38.382**	**2,23**	**78.645**	**10,35**	**49.326**	**3,63**
Total	**597.086**	**100,00**	**1.722.881**	**100,00**	**759.513**	**100,00**	**1.359.136**	**100,00**

iii. Information on non-cash loans classified in 1st and 2nd group:

	Group I		Group II	
Current Period (*)	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	572.860	1.053.383	18.220	26.715
Bank Acceptances	411	102.926	-	-
Letters of Credit	-	384.216	-	-
Endorsements	-	-	-	-
Securities Issuance Guarantees	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	145.330	-	-
Total	**573.271**	**1.685.855**	**18.220**	**26.715**

(*) In addition to non-cash loans stated above, the Group has non-cash loans classified as non-performing loans, amounting to TL 15.906. As of 31 December 2017, the Group has recorded provisions amounting to TL 7.104 provision regarding these risks.

(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 2018	31 December 2017
Types of Trading Transactions		
Foreign currency related derivative transactions (I)	**19.232.344**	**20.486.859**
Currency forward transactions	1.421.759	1.902.175
Currency swap transactions	10.303.913	10.109.578
Futures transactions	-	-
Options	7.506.672	8.475.106
Interest related derivative transactions (II)	**8.973.928**	**7.859.550**
Forward rate agreements	-	-
Interest rate swaps	8.973.928	7.859.550
Interest rate options	-	-
Interest rate futures	-	-
Other trading derivative transactions (III)	**-**	**-**
A. Total trading derivative transactions (I+II+III)	**28.206.272**	**28.346.409**
Types of hedging transactions	**6.729.625**	**4.602.364**
Fair value hedges	-	-
Cash flow hedges	6.729.625	4.602.364
Foreign currency investment hedges	-	-
B. Total hedging related derivatives	**6.729.625**	**4.602.364**
Total derivative transactions (A+B)	**34.935.897**	**32.948.773**

c. Information on contingent assets and contingent liabilities:

As of 31 December 2018, the total amount of legal cases against the Group is TL 56.407 (31 December 2017: TL 59.102) and the Group sets aside a provision of TL 9.535 (31 December 2017: TL 8.864) regarding these risks. Due to the delayed reply to e-foreclosure sent by Gökpınar Tax Administration, negative declaratory action has been claimed at "Denizli Tax Authority" and "Denizli Civil Court of General Jurisdiction" for cancellation of the payment order of TL 25.459, which was notified to the Parent Bank. The transactions have been stopped with obtaining injuction in response to 15% collateral. The law cases in local courts have resulted in favor of the Parent Bank. The cases are at the appeal phase. As a result, the Parent Bank did not book any provision.

d. Brief information on the Bank's rating given by International Rating Institutions:

FITCH (23 October 2018)

Outlook	Negative
Long Term FC	BB-
Short Term FC	B
Long Term TL	BB
Short Term TL	B
Support Rating	3
National Rating	AA (tur)
Viability Rating	b

(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 :

Interest Income on Loans (*)	31 December 2018 TL	31 December 2018 FC	31 December 2017 TL	31 December 2017 FC
Short-term Loans	579.951	38.019	354.956	16.240
Medium/Long-term Loans	503.958	527.758	381.154	373.805
Interest on Loans Under Follow-up	3.759	-	4.056	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	**1.087.668**	**565.777**	**740.166**	**390.045**

(*) Includes fee and commission income related with cash loans.

2. Information on interest income on banks:

	31 December 2018 TL	31 December 2018 FC	31 December 2017 TL	31 December 2017 FC
From the CBRT	58.205	-	11.842	-
From Domestic Banks	14.496	1.076	13.934	1.053
From Foreign Banks	-	4.757	-	60
Headquarters and Branches Abroad	-	-	-	-
Total	**72.701**	**5.833**	**25.776**	**1.113**

3. Information on marketable securities:

31 December 2018	**TL**	**FC**
Financial Assets Measured at Fair Value through Profit/Loss	791	675
Financial Assets Measured at Fair Value through Other Comprehensive Income	29.503	6.601
Financial Assets Measured at Amortized Cost	-	10.724
Total	**30.294**	**18.000**

31 December 2017	**TP**	**YP**
Held-for-Trading Financial Assets	4.602	181
Financial Assets at Fair Value through Profit/Loss	-	-
Investment Securities Available for Sale	24.062	6.238
Investment Securities Held to Maturity	-	7.302
Toplam	**28.664**	**13.721**

4. Information on interest income received from investments in associates and subsidiaries:

None (31 December 2017: None).

(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 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
Banks	**33.242**	**350.081**	**15.556**	**187.749**
The CBRT	-	-	-	-
Domestic Banks	33.242	2.127	15.556	1.174
Foreign Banks	-	347.954	-	186.575
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	15.952	-	12.449
Total (*)	**33.242**	**366.033**	**15.556**	**200.198**

(*) Includes fee and commission expense related with cash loans.

2. Information on interest expense given to investments in associates and subsidiaries:

None (31 December 2017: None).

3. Information on interest expense on issued securities:

	31 December 2018	31 December 2017
Interest expense on issued securities	-	1.436

4. Information on interest rate and maturity structure of deposits:

		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	-	449	-	-	-	-	-	**449**	**4.312**
Savings Deposits	-	79.087	493.141	30.970	16.401	15.228	-	**634.827**	**275.427**
Public Deposits	-	-	250	-	-	-	-	**250**	**13**
Commercial Deposits	-	8.481	56.185	1.954	3.816	11.939	-	**82.375**	**74.802**
Other Deposits	-	358	17.470	218	1.081	494	-	**19.621**	**17.708**
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
Total	**-**	**88.375**	**567.046**	**33.142**	**21.298**	**27.661**	**-**	**737.522**	**372.262**
FC	-	-	-	-	-	-	-	-	-
Foreign Currency Account	-	14.484	203.117	23.040	7.833	4.103	-	**252.577**	**189.802**
Bank Deposits	-	8.148	-	-	-	-	-	**8.148**	**2.019**
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Total	**-**	**22.632**	**203.117**	**23.040**	**7.833**	**4.103**	**-**	**260.725**	**191.821**
Sum Total	**-**	**111.007**	**770.163**	**56.182**	**29.131**	**31.764**	**-**	**998.247**	**564.083**

(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 2018	
Financial Assets at Fair Value through Profit/Loss	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	700
Other	-
Total	**700**

31 December 2017	
Held-for-Trading Financial Assets	-
Financial Assets at Fair Value through Profit/Loss	-
Investment Securities Available for Sale	330
Other	-
Total	**330**

d. Information on trading loss/income (Net):

	31 December 2018	**31 December 2017**
Income	**34.557.609**	**18.380.079**
Capital Market Transactions	7.082	8.693
Derivative Financial Transactions	208.598	59.418
Foreign Exchange Gains	34.341.929	18.311.968
Loss (-)	**34.485.786**	**18.362.464**
Capital Market Transactions	4.636	5.380
Derivative Financial Transactions	211.011	40.295
Foreign Exchange Losses	34.270.139	18.316.789
Net Income/(Loss)	**71.823**	**17.615**

e. Information on other operating income:

The Group's other operating income in the current period is TL 37.227 (31 December 2017: TL 28.633). TL 2.951 (31 December 2017: TL 5.362) of the amount of other operating income is composed of profit from sales of the fixed assets that were classified as "Asset Held for Resale" of the Parent Bank.

(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):

f. Provision expenses related to loans and other receivables:

	31 December 2018
Expected Credit Loss	**259.205**
12 Month Expected Credit Loss (Stage 1)	40.330
Significant Increase in Credit Risk (Stage 2)	(58.979)
Non-performing Loans (Stage 3)	277.854
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	-
Investments in Associates, Subsidiaries and Joint Ventures Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	-
Total	**259.205**

	31 December 2017
Specific Provisions for Loans and Other Receivables	71.601
III. Group Loans and Receivables	3.432
IV. Group Loans and Receivables	140
V. Group Loans and Receivables	68.029
General Provision Expenses	9.195
Provision Expense for Possible Risks	12.716
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value Through Profit or Loss	-
Available-for-sale Financial Assets	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Held–to-maturity Investments	-
Other	-
Total	**93.512**

(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 2018
Personnel Expenses (**)	193.265
Reserve For Employee Termination Benefits (*)	5.564
Bank Social Aid Pension Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	357
Amortization Expenses of Fixed Assets	11.118
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	12.119
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held For Resale	869
Amortization Expenses of Assets Held for Resale	-
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	142.658
Operational Lease Expenses	33.317
Maintenance Expenses	3.302
Advertising Expenses	3.138
Other Expense	102.901
Loss on Sales of Assets	22
Other	37.505
Total	**403.477**

(*) As of 31 December 2018, the "Employee Vacation Fee Provision Income" is TL 1.079 (31 December 2017: TL 1.203).
(**) The personnel expenses amount has been presented on a separate row on the income statement.

	31 December 2017
Personnel Expenses	174.888
Reserve For Employee Termination Benefits	5.466
Bank Social Aid Pension Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	1.141
Depreciation Expenses of Fixed Assets	12.691
Impairment Expenses of Intangible Assets	-
Impairment Expense of Goodwill	-
Amortisation Expenses of Intangible Assets	10.668
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held For Resale	397
Depreciation Expenses of Assets Held for Resale	46
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	120.014
Operational Lease Expenses	32.044
Maintenance Expenses	2.305
Advertising Expenses	1.164
Other Expense	84.501
Loss on Sales of Assets	512
Other	31.622
Total	**357.445**

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued):

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):

h. Information on net income/(loss) before taxes from discontinued and continuing operations:

The Group has no discontinued operations. The Group's income before tax from continuing operations is TL 209.064 (31 December 2017: TL 148.216 income before tax).

i. Information on provision for taxes from discontinued and continuing operations:

The Group has no discontinued operations and the explanations below represent the provision for taxes of continuing operations.

1. Information on calculated current tax income or expense and deferred tax income or expense:

   As of 31 December 2018, the Group has current tax expense amounting to TL 10.389 and deferred tax expense amounting to TL 36.916.

2. Explanations on deferred tax income or expense arising from the temporary differences occurred or have been closed:

   The Group has TL 21.603 deferred tax income from temporary differences, TL 52.518 deferred tax income from carried financial loss. The deferred tax expense due to the closing of temporary differences amounts to TL 111.037, netting off to TL 36.916 deferred tax expense.

3. Information on recognition of temporary difference, financial loss, diminution of tax and exceptions on income statement:

   As of 31 December 2018, the Group has TL 89.434 (31 December 2017: TL 5.233) deferred tax expense arising from temporary differences and TL 52.518 deferred tax income as a result of financial loss. (31 December 2017: TL 1.887).

j. Information on net income/(loss) before taxes from discontinued and continuing operations:

The Group has no discontinued operations and the below article (j) represents the current period net profit and loss from continuing operations.

k. Information on net income/(loss) for the period:

1. If the disclosure of usual banking transactions, income and expenditure items' composition is necessary to understand the annual performance of the Group, the composition and amount of these items:

   None.

2. If an estimation change significantly affects the profit or has the probability of affecting the profit of following period, the effect for related periods:

   None.

(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 2.547.733 (31 December 2017: TL 1.573.350) and TL 444.320 (31 December 2017: TL 216.401) of the related amount is classified as "Other Interest Income" account in income statement.

	31 December 2018	31 December 2017
Other Interest Income		
Interest income related to derivative transactions	397.011	194.292
Other	47.309	22.109
Total	**444.320**	**216.401**

2. In the current period, the Group's interest expense amounting to TL 1.817.901 (31 December 2017: TL 1.061.478) and TL 410.348 (31 December 2017: TL 261.445) of the related amount is classified as "Other Interest Expense" in the income statement.

	31 December 2018	31 December 2017
Other Interest Expense		
Interest expense related to derivative transactions	357.984	239.241
Other	52.364	22.204
Total	**410.348**	**261.445**

3. In the current period, the Group's fee and commission income amounts to TL 50.170 (31 December 2017: TL 50.831) and TL 26.801 (31 December 2017: TL 32.460) of the related amount is classified under "Other" account.

	31 December 2018	31 December 2017
Other Fee and Commissions Received		
Insurance Commissions	7.898	8.197
Investment Consultancy Fees	5.106	6.938
Account Operating Fees	2.066	1.838
Commissions From Brokerage Activity in Istanbul Stock Exchange	692	625
Commissions on Investment Fund Services	558	204
Commissions from Correspondent Banks	666	497
Transfer Commissions	619	817
Credit Card and POS Transaction Commission	182	535
Common Point Commissions	84	106
Letter of Credit Commissions	10	9
Other	8.920	12.694
Total	**26.801**	**32.460**

(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):

4. In the current period, Group's fee and commission expense amounts to TL 18.006 (31 December 2017: TL 10.108) and TL 17.710 (31 December 2017: TL 9.612) of the related amount is classified under "Other" account.

	31 December 2018	**31 December 2017**
Other Fee and Commissions Given		
Credit Card Transaction Commission	2.007	2.384
Commissions Granted to Correspondent Banks	1.411	1.144
EFT Commissions	1.013	794
Stock Exchange Contribution Expenses	947	1.133
Common Point Clearing Commissions	393	413
Transfer Commissions	153	96
Other	11.786	3.648
Total	**17.710**	**9.612**

(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 2018.

b. Information on distribution of profit:

According to the decision of the Parent Bank held at the Ordinary General Assembly Meeting held on 30 March 2018; While adapting TAS 27 Standard, the profit of 2017, TL 109.848 was not distributed, the amount was allocated as legal reserves and extraordinary reserves.

c. Information on capital increase:

Following the Board of Directors' decision dated 30 May 2018, the Bank's total capital has been increased by TL 349.704.193,55, with this increase capital previously amounting to TL 1.185.295.806,45 has been increased to full TL 1.535.000.000. The main shareholder capital participation fee amounting to TL 347.647.411,43 has been collected as cash and the following amount has been transferred to the Bank's capital account with the permission of the BRSA as of 13 June 2018. The rights of preference usage process has been completed and the Bank's capital amounting to full TL 1.535.000.000 has been registered as of 8 August 2018.

The upper limit of registered capital of 2 billion TL has increased to 4 billion TL with the decision of Board of Directors on 3 October 2018.

d. Information on valuation differences of marketable securities:

"Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statements; they are recognized in the "Marketable securities valuation reserve" account under equity, until the financial assets are sold, disposed or impaired.

	31 December 2018		31 December 2017	
	TL	**FC**	**TL**	**FC**
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(8.303)	(8.999)	(2.366)	(143)
Foreign Currency Difference	-	-	-	-
Total	**(8.303)**	**(8.999)**	**(2.366)**	**(143)**

e. Information on revaluation differences of tangible and intangible assets :

The reversal from revaluation reserve to their fair value for immovables amounting to TL 1.535 increase net of tax (31 December 2017: TL 1.948 increase) is accounted under "Revaluation differences of tangible assets and intangible assets".

(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 2018	31 December 2017
Cash	**1.131.675**	**415.275**
Cash, Foreign Currency and Other	52.078	26.850
Demand Deposits in Banks	1.079.597	388.425
Cash Equivalents	**130.469**	**334.286**
Interbank Money Market	11.000	16.690
Time Deposits in Bank	119.469	317.596
Total Cash and Cash Equivalents	**1.262.144**	**749.561**

The total amount from the operations that occurred in the prior period is the total cash and cash equivalents amount at the beginning of the current period.

2. Cash and cash equivalents at the end of the period:

	31 December 2018	31 December 2017
Cash	**2.053.698**	**1.131.675**
Cash, Foreign Currency and Other	156.316	52.078
Demand Deposits in Banks	1.897.382	1.079.597
Cash Equivalents	**596.366**	**130.469**
Interbank Money Market	9.000	11.000
Time Deposits in Bank	587.366	119.469
Total Cash and Cash Equivalents	**2.650.063**	**1.262.144**

b. Information on other items presented in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents :

"Other" items presented in "Net operating income before changes in operating assets and liabilities" amount to negative TL 674.475 TL (31 December 2017: negative TL 203.540) and mainly consists of other operating income excluding collections from non-performing loans, other operating expenses excluding personnel expenses and foreign exchange gain and loss items.

"Net increase/decrease in liabilities" items presented in "Changes in operating assets and liabilities" amount to positive TL 193.489 (31 December 2017: negative TL 129.922) and consist of changes in other liabilities and miscellaneous payables.

As of 31 December 2018, the effect of change in foreign exchange rate on cash and cash equivalents is calculated as approximately positive TL 190.537 (31 December 2017: negative TL 13.202).

(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 2017 for balance sheet items and for income statements items.

31 December 2018:

Groups' Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
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	-

31 December 2017:

Groups' Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Loans and Other Receivables	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**
Balance at the Beginning of the Period	-	27.908	-	-	113	68.425
Balance at the End of the Period	-	12.963	-	-	27	15.429
Interest and Commission Income Received	-	-	-	-	12	-

2. Information on deposits and repurchase transactions of the Group's risk group:

Groups' Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Deposit	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the Period	-	-	6.357	5.656	24.791	26.005
End of the Period	-	-	11.951	6.357	12.172	24.791
Interest Expense on Deposits	-	-	8.973	-	1.713	1.581

Groups' Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
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	
Transactions for trading purposes	**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	-	-	-	-	-	-
Transactions for hedging purposes	-	-	-	-	-	-
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

b. With respect to the Group's risk group:

1. The relations with entities that are included in the Group's risk group and controlled by the Group:

   The Group performs various transactions with related parties during its banking activities. These are commercial transactions realised with market prices.

2. The type of transaction, the amount and its ratio to total transaction volume, the amount of significant items and their ratios to total items, pricing policy and other issues:

	Total Risk Group	Share in Financial Statements (%)
Borrowings and Subordinated Loans	5.691.597	67,28
Deposits	24.123	0,24
Non-cash Loans	160.744	6,93
Banks and Other Financial Institutions Loans	137.713	70,04
Loans	166	0,00

As of 31 December 2018, the Group has TL 2.987 interest income from deposits given to banks included in the risk group (31 December 2017: TL 17), the Group has realized interest expense amounting to TL 232.158 (31 December 2017: TL 135.437) on loans borrowed from the banks included in the risk group.

(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 0,99% (31 December 2017: 0,18%) of the Group's total cash and non-cash loans.

As of 31 December 2018 there are no purchase-sales transactions on any assets including real estate with the risk group consisting the Parent Bank.

As of 31 December 2018 there are no agreements related to transfer and management of the information gathered from the research and development with the risk group that the Parent Bank is included.

c. Information on benefits provided to top management:

Top management of the Group is composed of the Board of Directors, General Manager and Vice General Managers. The sum of benefits paid to top management, amounts to TL 24.066 (31 December 2017: TL 20.740) which include total gross salary, travel, meal, health, life insurance and other expenses.

VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK

a. Information on domestic, foreign branches and foreign representatives:

	Number	**Employee number**			
Domestic Branch	41	1.006			
			Country of Incorporation		
Foreign Representative	-	-	-		
				Total Asset	**Statutory share capital**
Foreign Branch	-	-	-	-	-
Off-Shore Banking Region Branch	-	-	-	-	-

b. There is no event that would affect opening or closing a domestic branch, a foreign branch or a representative office of the Parent Bank.

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued):

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS:

None.

SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS RELATED TO THE GROUP'S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON AUDITOR'S REPORT

I. EXPLANATIONS ON INDEPENDENT AUDIT REPORT

The consolidated financial statements as of 31 December 2018 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) and the auditor's audit report dated 28 February 2019 has been presented prior to the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR:

None.

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