(Convenience Translation of Independent Auditor's Originally Issued In Turkish, See Note I. Of Section Three)

ALTERNATİFBANK A.Ş.

INDEPENDENT AUDITOR'S REPORT, CONSOLIDATED YEAR END FINANCIAL STATEMENTS AND NOTES FOR THE PERIOD ENDED 31 DECEMBER 2019

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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 Alternatifbank Anonim Şirketi:

A) Audit of Consolidated Financial Statements

1) Opinion

We have audited the accompanying consolidated financial statements of Alternatifbank A.Ş (the "Bank") and its consolidated subsidiaries (collectively referred as "The Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of income, consolidated statement of income and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements and a summary of significant accounting policies and other explanatory information.

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

2) Basis for Opinion

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated April 2, 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the Key Audit Matter is addressed in our audit
Financial impact of TFRS 9 "Financial Instruments" standard and recognition of impairment on financial assets and related important disclosures	
As disclosed in footnote VI of Section 3; the Group measured expected credit losses for financial assets by TFRS 9 "Financial Instruments Standards" in financial statements. The rationale reasons for selecting TFRS 9 implementation and impairment of financial assets as key audit subject are as follows; ▪ Financial assets within balance-sheet and off-balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements ▪ The applications TFRS 9 are complex and comprehensive ▪ The classification of financial instruments based on the Group's business models and the characteristics of contractual cash flows in line with TFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows ▪ Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses ▪ The complexity and intensity of the control environment in the processes designed or reorganized for TFRS 9 ▪ Estimations and assumptions used in expected credit losses are new, important and complex ▪ Complex and comprehensive disclosure requirements of TFRS 9.	Our audit procedures in addition to our current audit procedures: ▪ Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Group's past performance, and local and global practices ▪ Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists ▪ Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices ▪ Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Group'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 Group'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.

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4) Other Matter

The consolidated financial statements of the Group as at 31 December 2018 were audited by another audit firm, which expressed an unqualified opinion in their report issued on 31 January 2019.

5) 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.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 – December 31, 2019 are not in compliance with the TCC and provisions of the Bank's articles of association in relation to financial reporting.

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

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

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

Yaşar Bivas, SMMM
Partner

January 31, 2020
İstanbul, Türkiye

Alternatif Bank

THE CONSOLIDATED FINANCIAL REPORT OF ALTERNATİFBANK A.Ş. AS OF AND FOR THE YEAR-END PERIOD ENDED 31 DECEMBER 2019

Headquarters Address	: Ayazağa Mah. Cendere Cad. No: 109M 2D Blok Sarıyer/İstanbul
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The consolidated financial report as of and for the year-end period ended 31 December 2019 prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" as regulated by the Banking Regulation and Supervision Agency, comprises the following sections.

- GENERAL INFORMATION ABOUT THE GROUP
- CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE CURRENT PERIOD
- INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND DISCLOSURES
- INDEPENDENT AUDITOR'S REPORT

Associates, subsidiaries and special purpose entities whose financial statements have been consolidated in the consolidated financial report are as follows:

Subsidiaries:

1. Alternatif Yatırım Menkul Değerler A.Ş.
2. Alternatif Finansal Kiralama A.Ş.

The accompanying consolidated financial statements and notes to these financial statements for the year-end period 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 independently reviewed and presented as attached.

Omer Hussain I H Al-Fardan	Kimberley Ann Reid	Leonie Ruth Lethbridge	Paul Gossiaux
Chairman of the Board of Directors	Member of the Board of Directors and Chairwoman of the Board Audit and Compliance Committee	Member of the Board of Directors and Member of the Board Audit and Compliance Committee	Member of the Board of Directors and Member of the Board Audit and Compliance Committee

Cenk Kaan Gür	Hamdi İlkay Girgin	Emrullah Altun
CEO	Financial Affairs and Planning Acting Executive Vice President	Accounting Manager

The authorised contact person for questions on this financial report:

Name-Surname / Title	: Emrullah Altun / Accounting Manager
Telephone Number	: 0 212 338 29 50
Fax Number	: 0 212 233 15 00

SECTION ONE
General Information About the Bank

SECTION TWO
Consolidated Financial Statements

SECTION THREE
Explanations on Accounting Policies

SECTION FOUR
Information on the Financial Position and Risk Management of the Group

SECTION FIVE
Explanations and Disclosures on Consolidated Financial Statements

SECTION SIX
Other Explanations and Notes

SECTION SEVEN
Independent Auditors' Report

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

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

I. Explanations on the Establishment Date and Initial Status of the Parent Bank, and History Including the Changes in the Former Status

Alternatifbank A.Ş. ("the Bank" or "the Parent Bank"), was established in Istanbul on 6 November 1991 and started Banking activities on February 1992. The Bank's ordinary shares started to be traded in Istanbul Stock Exchange on 3 July 1995. The Bank is still a privately owned commercial bank status and provides banking services through 48 (31 December 2018: 49) branches.

The Parent Bank made an application to Capital Market Board and Borsa İstanbul A.Ş. about to leave the partnership and delisting the stock-exchange quotation in accordance with clauses of Capital Market Board "Squeeze-out and Sell-out Rights Communiqué" on 11 July 2014. "Capital Issue Document" prepared for the capital increase allocated to controlling shareholder Commercial Bank of Qatar in the context of the process of squeeze-out and sell-out rights from the minority in accordance with "Squeeze-out and Sell-out Rights Communiqué" has been approved by Capital Market Board on 23 July 2015. As of this date, Alternatifbank A.Ş. delisted from the stock-exchange.

In March 2018, the Bank has changed its brand name, formerly known as ABank, to Alternatif Bank.

II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Parent Bank, any Changes in the Period, and Information on the Parent Bank's Risk Group

As of 31 December 2019, 100% of the shares of the Bank are owned by The Commercial Bank (P.S.Q.C.). Shareholder's structure of the Bank is as follows:

	31 December 2019		**31 December 2018**	
Name/Commercial Name	**Share Amount**	**Share Ratio**	**Share Amount**	**Share Ratio**
The Commercial Bank (P.S.Q.C.)	1,730,655	100%	1,167,000	100%
Total	**1,730,655**	**100%**	**1,167,000**	**100%**

With the decision of number 24 of Board of Directors on 13 March 2019 it was decided to increase the Parent Bank's capital from TL 1,167,000 to TL 1,439,725 and BRSA approval was obtained on 27 March 2019. In the Trade Registry Gazette dated 10 April 2019 numbered 9806, it was registered that the capital increase amounting to TL 272,725 was paid by The Commercial Bank (P.S.Q.C.) and the Parent Bank's capital was increased from TL 1,167,000 to TL 1,439,725.

With the decision of number 57 of Board of Directors on 26 June 2019 it was decided to increase the Bank's capital from TL 1,439,725 to TL 1,730,655 and BRSA approval was obtained on 5 July 2019. In the Trade Registry Gazette dated 8 August 2019 numbered 9886, it was registered that the capital increase amounting to TL 290,930 was paid by The Commercial Bank (P.S.Q.C.) in cash and the Bank's capital was increased from TL 1,439,725 to TL 1,730,655.

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

III. Explanation on the Board of Directors, Members of the Audit Committee, President and Executive Vice Presidents, Changes in These Matters (if any) and Shares in the Parent Bank

Title	Name	Responsibility	Indirect Share Capital (%)
Chairman of the Board of Directors	Omer Hussain I H Al-Fardan	Chairman of the Board	-
Member of the Board of Directors	Joseph Abraham (6)	Vice-Chairman of the Board of Directors, Chairman of the Executive Committee of the Board, Chairman of the Remuneration Committee of the Board, Alternate Member of the Board Credit Committee	-
	Mohd Ismail M Mandani Al-Emadi (6)	Member of the Board of Directors, Chairman of the Board Risk Committee, Member of the Board Credit Committee	-
	Paul Gossiaux	Member of the Board of Directors, Member of the Board Audit and Compliance Committee, Member of the Board Risk Committee, Member of the Board Credit Committee	-
	Zafer Kurtul (4)	Member of the Board of Directors, Member of the Executive Committee of the Board, Member of the Remuneration Committee of the Board, Member of the Board Risk Committee and Chairman of the Board Credit Committee	-
	Leonie Ruth Lethbridge	Member of the Board of Directors, Member of the Board Executive Committee, Member of the Board Audit and Compliance Committee	-
	Kimberley Ann Reid (1)	Member of the Board of Directors, Chairwoman of the Board Audit and Compliance Committee, Member of the Executive Committee of the Board, Member of the Remuneration Committee of the Board, Alternate Member of the Board Credit Committee.	-
Member of the Board of Directors and CEO	Cenk Kaan Gür	Member of the Board of Directors, Member of the Executive Committee of the Board, Member of the Credit Committee, CEO	-
Executive Vice Presidents	Yeşim Şimşek (2)	Sales and Marketing	-
	Esra Beyzadeoğlu (3)	Information Technologies, Digital Banking & Operations	-
	Musa Kerim Mutluay (8)	Restructuring & Legal Follow-up	-
	Ebru Taşcı Firuzbay	Human Resources	-
	Muzaffer Gökhan Songül	Credit Underwriting	-
	Hamdi İlkay Girgin (7)	Financial Affairs and Planning	-
	Boğaç Levent Güven (5)	Treasury and Financial Institutions	-
Head of Internal Audit	Ömer Faruk Gönener	Head of Internal Audit	-

(1) With the decision number 46 of the Board of Directors dated on 28 March 2019, İzzat Dajani and Turgay Gönensin were resigned from the Board of Directors and Kimberley Ann Reid has been appointed as the new member of Board of Directors.

(2) With the decision number 48 of the Board of Directors dated on 11 April 2019, Corporate Banking, Commercial and SME Banking Executive Vice President Yeşim Şimşek has been appointed as Sales and Marketing Executive Vice President.

(3) With the decision number 47 of the Board of Directors dated on 11 April 2019, Suat Çetin was resigned from his duty as Operations Executive Vice President and Esra Beyzadeoğlu has been appointed as Operations Executive Vice President in addition to her existing responsibilities.

(4) With the decision number 63 of the Board of Directors dated on 1 July 2019, Zafer Kurtul was resigned from his duty as Member of the Board Audit and Compliance Committee.

(5) With the decision number 99 of the Board of Directors dated on 26 September 2019, Şakir Sömek was resigned from his duty as Financial Institutions Executive Vice President and Boğaç Levent Güven has been appointed as Financial Institutions Executive Vice President in addition to his existing responsibilities.

(6) With the decision number 129 of the Board of Directors dated on 8 December 2019, Mohd Ismail M Mandani Al-Emadi has been appointed as regular member of Board of Directors Credit Committee and according to same decision Joseph Abraham has been appointed as alternate member of Board of Directors Credit Committee.

(7) With the decision number 133 of the Board of Directors dated on 17 December 2019, Önder Özcan was resigned from his duty as Financial Affairs and Planning Executive Vice President and Hamdi İlkay Girgin has been appointed as Financial Affairs and Planning Acting Executive Vice President.

(8) Restructuring & Legal Follow-up Executive Vice President Musa Kerim Mutluay has passed away on 21 January 2020.

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

IV. Information on the Parent Bank's Qualified Shareholders

According to the Banking Act No: 5411 regarding definition of Qualified Shares and Bank Transactions that are subject to Permission and Indirect Shareholding Regulation's article 13, direct and indirect qualified shareholders of the Parent Bank's Capital is as follows.

Name/Commercial Title	Share Amounts (Nominal)	Share Rates	Paid-in Capital (Nominal)	Unpaid Portion
The Commercial Bank (Q.S.C.)	1,730,655	100.00%	1,730,655	-

V. Summary Information on the Parent Bank's Activities and Services

The Parent Bank's operations are extending TL and foreign currency cash and non cash loans, performing capital market transactions, opening deposit and making other banking transactions according to regulation principles given by the Bank's Articles of Association.

As of 31 December 2019, the Parent Bank has 48 branches (31 December 2018: 49 branches) and has 892 employees (31 December 2018: 949 employees).

Parent Bank and its subsidiaries that are consolidated with the Parent Bank are called "Group" as a whole. As of 31 December 2019, The Group has 952 employees (31 December 2018: 1,021 employees).

VI. Differences Between the Communique on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About the Institutions Subject to Line-by-Line Method or Proportional Consolidation and Institutions Which Are Deducted From Equity or Not Included in These Three Methods

None.

VII. Existing or Potential, Actual or Legal Obstacles to Immediate Transfer of Equity, or Repayment of Debt Between the Parent Bank and Its Subsidiaries

None.

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

SECTION TWO
CONSOLIDATED BALANCE SHEET

			Audited Current Period 31 December 2019			Audited Prior Period (*) 31 December 2018		
	I. ASSETS	**Notes (Section Five)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (NET)**		**2,462,619**	**3,713,569**	**6,176,188**	**1,367,818**	**2,524,517**	**3,892,335**
1.1	**Cash and Cash Equivalents**		**2,081,523**	**3,655,970**	**5,737,493**	**1,217,268**	**2,430,263**	**3,647,531**
1.1.1	Cash and Balances with Central Bank	I-a	148,827	2,537,597	2,686,424	343,586	1,868,465	2,212,051
1.1.2	Banks	I-d	20,430	1,118,373	1,138,803	243,536	561,798	805,334
1.1.3	Money Market Placements		1,912,595	-	1,912,595	630,439	-	630,439
1.1.4	Expected Credit Losses (-)		329	-	329	293	-	293
1.2	**Financial Assets at Fair Value Through Profit or Loss**		**14,444**	**-**	**14,444**	**1,835**	**40,213**	**42,048**
1.2.1	Government Debt Securities		5,176	-	5,176	1,835	1,437	3,272
1.2.2	Equity Instruments		-	-	-	-	-	-
1.2.3	Other Financial Assets		9,268	-	9,268	-	38,776	38,776
1.3	**Financial Assets at Fair Value Through Other Comprehensive Income**	**I-f**	**235,254**	**-**	**235,254**	**8,144**	**-**	**8,144**
1.3.1	Government Debt Securities		223,786	-	223,786	-	-	-
1.3.2	Equity Instruments		8,420	-	8,420	5,658	-	5,658
1.3.3	Other Financial Assets		3,048	-	3,048	2,486	-	2,486
1.4	**Derivative Financial Assets**	**I-c**	**131,398**	**57,599**	**188,997**	**140,571**	**54,041**	**194,612**
1.4.1	Derivative Financial Assets at Fair Value Through Profit or Loss		130,256	57,599	187,855	140,571	54,041	194,612
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1,142	-	1,142	-	-	-
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)**		**8,938,144**	**13,487,471**	**22,425,615**	**8,122,868**	**12,528,501**	**20,651,369**
2.1	**Loans**	**I-g**	**8,851,948**	**8,934,690**	**17,786,638**	**8,330,163**	**7,956,609**	**16,286,772**
2.2	**Lease Receivables**	**I-l**	**363,698**	**1,139,533**	**1,503,231**	**470,481**	**1,499,155**	**1,969,636**
2.3	**Factoring Receivables**		**-**	**-**	**-**	**-**	**-**	**-**
2.4	**Other Financial Assets Measured at Amortized Cost**	**I-h**	**289,820**	**3,442,674**	**3,732,494**	**318,144**	**3,108,916**	**3,427,060**
2.4.1	Government Debt Securities		289,820	2,980,116	3,269,936	318,144	2,669,155	2,987,299
2.4.2	Other Financial Assets		-	462,558	462,558	-	439,761	439,761
2.5	**Expected Credit Losses (-)**		**567,322**	**29,426**	**596,748**	**995,920**	**36,179**	**1,032,099**
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)**		**321,735**	**-**	**321,735**	**186,675**	**-**	**186,675**
3.1	Held for Sale Purpose	I-s	321,735	-	321,735	186,675	-	186,675
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**EQUITY INVESTMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
4.1	**Investments in Associates (Net)**	**I-i**	**-**	**-**	**-**	**-**	**-**	**-**
4.1.1	Accounted Under Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		-	-	-	-	-	-
4.2	**Subsidiaries (Net)**	**I-j**	**-**	**-**	**-**	**-**	**-**	**-**
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3	**Entities under Common Control (Joint Venture) (Net)**	**I-k**	**-**	**-**	**-**	**-**	**-**	**-**
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	**TANGIBLE ASSETS (Net)**	**I-n**	**350,790**	**-**	**350,790**	**283,361**	**-**	**283,361**
VI.	**INTANGIBLE ASSETS (Net)**	**I-o**	**109,942**	**-**	**109,942**	**101,510**	**-**	**101,510**
6.1	Goodwill		49,647	-	49,647	49,647	-	49,647
6.2	Other		60,295	-	60,295	51,863	-	51,863
VII.	**INVESTMENT PROPERTY (Net)**	**I-p**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**		**51,895**	**-**	**51,895**	**11,767**	**-**	**11,767**
IX.	**DEFERRED TAX ASSET**	**I-r**	**136,304**	**-**	**136,304**	**167,287**	**-**	**167,287**
X.	**OTHER ASSETS**	**I-t**	**288,372**	**227,346**	**515,718**	**247,942**	**312,198**	**560,140**
	TOTAL ASSETS		**12,659,801**	**17,428,386**	**30,088,187**	**10,489,228**	**15,365,216**	**25,854,444**

(*) In order to be comparable with the new format of financial statements on the current year which published by Banking Regulation and Supervision Agency ("BRSA") on 1 February 2019, necessary classifications were made in financial statements of previous year.

The accompanying notes are an integral part of these financial statements.

ALTERNATİFBANK A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 31 DECEMBER 2019

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

			Audited Current Period 31 December 2019			Audited Prior Period (*) 31 December 2018		
	I. LIABILITIES AND EQUITY	Notes (Section Five)	TL	FC	Total	TL	FC	Total
I.	**DEPOSITS**	**II-a**	**7,438,725**	**8,539,989**	**15,978,714**	**6,924,899**	**6,691,852**	**13,616,751**
II.	**FUNDS BORROWED**	**II-c**	**307,543**	**7,481,561**	**7,789,104**	**64,421**	**4,806,106**	**4,870,527**
III.	**MONEY MARKET BALANCES**		**1,657**	**91,938**	**93,595**	**3,302**	**684,226**	**687,528**
IV.	**MARKETABLE SECURITIES ISSUED (Net)**		**771,622**	**-**	**771,622**	**558,349**	**1,338,284**	**1,896,633**
4.1	Bills		771,622	-	771,622	558,349	1,338,284	1,896,633
4.2	Assets Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	-	-	-	-	-
V.	**BORROWER FUNDS**		-	-	-	-	-	-
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		-	-	-	-	-	-
VII.	**DERIVATIVE FINANCIAL LIABILTIES**		**118,806**	**75,233**	**194,039**	**105,151**	**72,992**	**178,143**
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	Iminority-b	104,687	75,233	179,920	101,128	72,992	174,120
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	I-f	14,119	-	14,119	4,023	-	4,023
VIII.	**FACTORING LIABILITIES**		-	-	-	-	-	-
IX.	**LEASE LIABILITIES**	**II-e**	**45,204**	**5,166**	**50,370**	**-**	**-**	**-**
X.	**PROVISIONS**	**II-g**	**123,100**	**1,575**	**124,675**	**103,974**	**30**	**104,004**
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reverse for Employee Benefits		12,475	-	12,475	11,872	-	11,872
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		110,625	1,575	112,200	92,102	30	92,132
XI.	**CURRENT TAX LIABILITY**	**II-h**	**42,867**	**-**	**42,867**	**38,869**	**-**	**38,869**
XII.	**DEFERRED TAX LIABILITY**		-	-	-	-	-	-
XIII.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	**II-j**	-	-	-	-	-	-
13.1	Held for Sale Purpose		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**	**II-k**	**-**	**2,096,143**	**2,096,143**	**-**	**1,863,654**	**1,863,654**
14.1	Loans		-	298,161	298,161	-	265,173	265,173
14.2	Other Debt Instruments		-	1,797,982	1,797,982	-	1,598,481	1,598,481
XV.	**OTHER LIABILITIES**		**369,309**	**160,977**	**530,286**	**401,427**	**499,178**	**900,605**
XVI.	**SHAREHOLDERS’ EQUITY**	**II-l**	**2,416,772**	**-**	**2,416,772**	**1,697,730**	**-**	**1,697,730**
16.1	Paid-in Capital		1,730,655	-	1,730,655	1,167,000	-	1,167,000
16.2	Capital Reserves		300,466	-	300,466	289,592	-	289,592
16.2.1	Share Premium		54	-	54	54	-	54
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		300,412	-	300,412	289,538	-	289,538
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		24,324	-	24,324	24,686	-	24,686
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(46,089)	-	(46,089)	(56,667)	-	(56,667)
16.5	Profit Reserves		581,138	-	581,138	549,430	-	549,430
16.5.1	Legal Reserves		46,650	-	46,650	34,143	-	34,143
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		534,488	-	534,488	515,287	-	515,287
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit Or Loss		(173,739)	-	(173,739)	(276,327)	-	(276,327)
16.6.1	Prior Years' Profit/Loss		(351,796)	-	(351,796)	(481,224)	-	(481,224)
16.6.2	Current Year Profit/Loss		178,057	-	178,057	204,897	-	204,897
16.7	Non-Controlling Interests	II-m	17	-	17	16	-	16
	TOTAL LIABILITIES AND EQUITY		**11,635,605**	**18,452,582**	**30,088,187**	**9,898,122**	**15,956,322**	**25,854,444**

(*) In order to be comparable with the new format of financial statements on the current year which published by Banking Regulation and Supervision Agency (“BRSA”) on 1 February 2019, necessary classifications were made in financial statements of previous year.

The accompanying notes are an integral part of these financial statements.

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS AT 31 DECEMBER 2019

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

			Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018		
	II. OFF-BALANCE SHEET ITEMS	**Notes (Section Five)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
A	**OFF-BALANCE SHEET COMMITMENTS (I+II+III)**		**9,521,614**	**25,040,439**	**34,562,053**	**8,470,354**	**20,575,897**	**29,046,251**
I.	**GUARANTEES AND WARRANTIES**	**III-a-3.i**	**2,539,427**	**4,347,270**	**6,886,697**	**2,295,913**	**3,433,978**	**5,729,891**
1.1	Letters of Guarantee	III-a-2.ii	2,531,636	3,657,012	6,188,648	2,273,069	2,698,339	4,971,408
1.1.1	Guarantees Subject to State Tender Law		26,150	161,086	187,236	26,106	155,238	181,344
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		2,505,486	3,495,926	6,001,412	2,246,963	2,543,101	4,790,064
1.2	Bank Acceptances	III-a-2.i	-	18,379	18,379	-	20,522	20,522
1.2.1	Import Letter of Acceptance		-	18,379	18,379	-	7,723	7,723
1.2.2	Other Bank Acceptances		-	-	-	-	12,799	12,799
1.3	Letters of Credit	III-a-2.i	7,791	671,879	679,670	22,844	715,117	737,961
1.3.1	Documentary Letters of Credit		7,791	671,879	679,670	22,844	715,117	737,961
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees	III-a-2.i	-	-	-	-	-	-
1.9	Other Warrantees		-	-	-	-	-	-
II.	**COMMITMENTS**		**467,712**	**243,763**	**711,475**	**408,909**	**158,707**	**567,616**
2.1	Irrevocable Commitments		422,020	182,892	604,912	**383,126**	**119,912**	**503,038**
2.1.1	Asset Purchase and Sales Commitments		66,012	93,792	159,804	77,793	119,912	197,705
2.1.2	Deposit Purchase and Sales Commitments		-	89,100	89,100	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Commitments for Loan Limits	III-a-1	104,799	-	104,799	115,800	-	115,800
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		92,561	-	92,561	83,832	-	83,832
2.1.8	Tax and Fund Liabilities from Export Commitments		3,738	-	3,738	3,738	-	3,738
2.1.9	Commitments for Credit Card Limits		77,977	-	77,977	57,277	-	57,277
2.1.10	Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		76,933	-	76,933	44,686	-	44,686
2.2	Revocable Commitments		45,692	60,871	106,563	25,783	38,795	64,578
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		45,692	60,871	106,563	25,783	38,795	64,578
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**III-b**	**6,514,475**	**20,449,406**	**26,963,881**	**5,765,532**	**16,983,212**	**22,748,744**
3.1	Hedging Derivative Financial Instruments		860,000	-	860,000	710,000	-	710,000
3.1.1	Transactions for Fair Value Hedge		-	-	-	110,000	-	110,000
3.1.2	Transactions for Cash Flow Hedge		860,000	-	860,000	600,000	-	600,000
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		5,654,475	20,449,406	26,103,881	5,055,532	16,983,212	22,038,744
3.2.1	Forward Foreign Currency Buy/Sell Transactions		244,828	725,145	969,973	440,768	633,310	1,074,078
3.2.1.1	Forward Foreign Currency Transactions-Buy		108,089	354,728	462,817	198,878	316,478	515,356
3.2.1.2	Forward Foreign Currency Transactions-Sell		136,739	370,417	507,156	241,890	316,832	558,722
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		4,003,669	16,643,967	20,647,636	3,512,902	15,150,905	18,663,807
3.2.2.1	Foreign Currency Swap-Buy		1,495,113	7,549,989	9,045,102	1,753,601	7,228,488	8,982,089
3.2.2.2	Foreign Currency Swap-Sell		2,508,556	6,531,670	9,040,226	1,759,301	7,176,779	8,936,080
3.2.2.3	Interest Rate Swap-Buy		-	1,281,154	1,281,154	-	372,819	372,819
3.2.2.4	Interest Rate Swap-Sell		-	1,281,154	1,281,154	-	372,819	372,819
3.2.3	Foreign Currency, Interest rate and Securities Options		1,405,978	2,052,246	3,458,224	1,101,862	1,114,501	2,216,363
3.2.3.1	Foreign Currency Options-Buy		646,409	1,081,250	1,727,659	626,015	491,104	1,117,119
3.2.3.2	Foreign Currency Options-Sell		759,569	970,996	1,730,565	475,847	623,397	1,099,244
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		-	1,028,048	1,028,048	-	84,496	84,496
B.	**CUSTODY AND PLEDGES RECEIVED (IV+V+VI)**		**63,690,084**	**36,681,478**	**100,371,562**	**50,278,371**	**34,714,912**	**84,993,283**
IV.	**ITEMS HELD IN CUSTODY**		**15,252,026**	**7,082,934**	**22,334,960**	**4,152,099**	**7,644,908**	**11,797,007**
4.1	Customer Fund and Portfolio Balances		10,247,748	-	10,247,748	42,254	-	42,254
4.2	Investment Securities Held in Custody		1,733,686	68,170	1,801,856	943,783	56,868	1,000,651
4.3	Cheques Received for Collection		332,043	41,304	373,347	355,394	43,075	398,469
4.4	Commercial Notes Received for Collection		45,049	3,868	48,917	60,076	11,382	71,458
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		2,893,500	6,969,592	9,863,092	2,750,592	7,533,583	10,284,175
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGES RECEIVED**		**47,791,409**	**29,381,816**	**77,173,225**	**45,457,590**	**26,828,518**	**72,286,108**
5.1	Marketable Securities		133,303	-	133,303	104,697	-	104,697
5.2	Guarantee Notes		34,756,978	19,022,196	53,779,174	31,562,622	18,145,591	49,708,213
5.3	Commodity		1,009,904	459,050	1,468,954	1,028,504	296,475	1,324,979
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		9,371,865	8,517,579	17,889,444	9,977,659	6,965,809	16,943,468
5.6	Other Pledged Items		2,519,359	1,382,991	3,902,350	2,784,108	1,420,643	4,204,751
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**646,649**	**216,728**	**863,377**	**668,682**	**241,486**	**910,168**
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**73,211,698**	**61,721,917**	**134,933,615**	**58,748,725**	**55,290,809**	**114,039,534**

The accompanying notes are an integral part of these financial statements.

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	III. INCOME STATEMENT		**Audited Current Period**	**Audited Prior Period (*) (**)**
	INCOME AND EXPENSE ITEMS	**Notes (Section Five)**	**1 January- 31 December 2019**	**1 January - 31 December 2018**
I.	**INTEREST INCOME**	**IV-a**	**2,846,103**	**2,443,403**
1.1	Interest on Loans		2,116,944	1,873,649
1.2	Interest Received from Reserve Deposits		48,701	48,410
1.3	Interest Received from Banks		64,938	65,588
1.4	Interest Received from Money Market Placements		237,032	79,824
1.5	Interest Received from Marketable Securities Portfolio		204,903	200,958
1.5.1	Fair Value Through Profit or Loss		4,600	4,752
1.5.2	Fair Value Through other Comprehensive Income		8,412	718
1.5.3	Measured at Amortized Cost		191,891	195,488
1.6	Finance Lease Income		160,819	171,677
1.7	Other Interest Income		12,766	3,297
II.	**INTEREST EXPENSES (-)**	**IV-b**	**2,179,638**	**1,863,658**
2.1	Interest on Deposits		1,482,516	1,350,183
2.2	Interest on Funds Borrowed		444,147	347,940
2.3	Interest on Money Market Borrowings		20,520	33,254
2.4	Interest on Securities Issued		216,229	130,018
2.5	Leasing Interest Expense		9,377	-
2.6	Other Interest Expense		6,849	2,263
III.	**NET INTEREST INCOME (I - II)**		**666,465**	**579,745**
IV.	**NET FEES AND COMMISSIONS INCOME / EXPENSES**		**100,640**	**57,457**
4.1	Fees and Commissions Received		163,522	94,255
4.1.1	Non-cash Loans		66,551	51,465
4.1.2	Other	IV-l	96,971	42,790
4.2	Fees and Commissions Paid (-)		62,882	36,798
4.2.1	Non-cash Loans		792	842
4.2.2	Other	IV-l	62,090	35,956
V.	**DIVIDEND INCOME**	**IV-c**	**2,804**	**90**
VI.	**NET TRADING INCOME**	**IV-d**	**203,989**	**156,431**
6.1	Securities Trading Gains / (Losses)		5,434	(5,252)
6.2	Derivative Financial Instruments Gains / Losses		198,179	424,438
6.3	Foreign Exchange Gains / Losses (Net)		376	(262,755)
VII.	**OTHER OPERATING INCOME**	**IV-e**	**19,449**	**23,355**
VIII.	**GROSS OPERATING INCOME (III+IV+V+VI+VII)**		**993,347**	**817,078**
IX.	**EXPECTED CREDIT LOSSES (-)**	**IV-f**	**330,513**	**166,856**
X.	**OTHER PROVISION EXPENSES (-)**	**IV-f**	**33,339**	**49,753**
XI.	**PERSONNEL EXPENSES (-)**	**IV-g**	**207,651**	**192,958**
XII.	**OTHER OPERATING EXPENSES (-)**	**IV-g**	**202,692**	**168,823**
XIII.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)**		**219,152**	**238,688**
XIV.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		**-**	**-**
XV.	**PROFIT / (LOSS) ON EQUITY METHOD**		**-**	**-**
XVI.	**GAIN / (LOSS) ON NET MONETARY POSITION**		**-**	**-**
XVII.	**PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)**	**IV-h**	**219,152**	**238,688**
XVIII.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	**IV-i**	**(41,094)**	**(33,790)**
18.1	Provision for Current Income Taxes		(531)	-
18.2	Deferred Tax Expense Effect (+)		(40,563)	(33,790)
18.3	Deferred Tax Income Effect (-)		-	-
XIX.	**NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)**		**178,058**	**204,898**
XX.	**INCOME ON DISCONTINUED OPERATIONS**		**-**	**-**
20.1	Income on Assets Held for Sale		-	-
20.2	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
20.3	Income on Other Discontinued Operations		-	-
XXI.	**LOSS FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
21.1	Loss from Assets Held for Sale		-	-
21.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-
21.3	Loss from Other Discontinued Operations		-	-
XXII.	**PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)**		**-**	**-**
XXIII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		**-**	**-**
23.1	Provision for Current Income Taxes		-	-
23.2	Deferred Tax Expense Effect (+)		-	-
23.3	Deferred Tax Income Effect (-)		-	-
XXIV.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)**		**-**	**-**
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**		**178,058**	**204,898**
25.1	Group's Profit / Loss	IV-j	178,057	204,897
25.2	Minority Shares (-)	IV-g	1	1
	Earning / Loss per share		0.1171	0.1774

(*) In order to be comparable with the new format of financial statements on the current year which published by Banking Regulation and Supervision Agency ("BRSA") on 1 February 2019, necessary classifications were made in financial statements of previous year.

(**) The table has been restated, as explained in Chapter Three Footnote Number XXVI.

The accompanying notes are an integral part of these financial statements.

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

	IV. STATEMENT OF PROFIT OR (LOSS) AND OTHER COMPREHENSIVE INCOME	**Audited** **1 January -** **31 December 2019**	**Audited** **1 January -** **31 December 2018**
I.	**CURRENT PERIOD INCOME/(LOSS)**	**178,058**	**204,898**
II.	**OTHER COMPREHENSIVE INCOME**	**10,216**	**35,242**
2.1	**Not Reclassified Through Profit or (Loss)**	**(362)**	**28,657**
2.1.1	Property and Equipment Revaluation Increase/(Decrease)	-	27,782
2.1.2	Intangible Assets Revaluation Increase/(Decrease)	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(442)	1,094
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	80	(219)
2.2	**Reclassified Through Profit or (Loss)**	**10,578**	**6,585**
2.2.1	Foreign Currency Translation Differences	-	-
2.2.2	Valuation and/or Reclassification Income/(Expense) of the Financial Assets at Fair Value through Other Comprehensive Income	17,140	23,672
2.2.3	Cash Flow Hedge Income/(Loss)	(5,188)	(3,884)
2.2.4	Foreign Net Investment Hedge Income/(Loss)	-	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or (Loss)	-	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or (Loss)	(1,374)	(13,203)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**188,274**	**240,140**

The accompanying notes are an integral part of these financial statements.

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

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

							Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
	31 December 2018	**Note (Section Five)**	**Paid-in Capital**	**Share Premiums**	**Share Cancellation Profits**	**Other Capital Reserves**	**1**	**2**	**3**	**4**	**5**	**6**	**Profit Reserves**	**Prior Period Profit or (Loss)**	**Current Period Profit or (Loss)**	**Total Equity Except for Minority Shares**	**Minority shares**	**Total Shareholders' Equity**
I.	**Prior Period End Balance**		**980,000**	**54**	**-**	**270,973**	**-**	**(3,971)**	**-**	**-**	**(108,651)**	**-**	**467,468**	**(13,790)**	**88,917**	**1,681,000**	**15**	**1,681,015**
II.	**Corrections and Accounting Policy Changes Made According to TAS 8**		**-**	**-**	**-**	**(6,778)**	**-**	**-**	**-**	**-**	**45,399**	**-**	**-**	**(463,628)**	**18,698**	**(406,309)**	**-**	**(406,309)**
2.1	Effects of Corrections		-	-	-	(6,778)	-	-	-	-	-	-	-	(11,920)	18,698	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	45,399	-	-	(451,708)	-	(406,309)	-	(406,309)
III.	**Adjusted Beginning Balance (I+II)**		**980,000**	**54**	**-**	**264,195**	**-**	**(3,971)**	**-**	**-**	**(63,252)**	**-**	**467,468**	**(477,418)**	**107,615**	**1,274,691**	**15**	**1,274,706**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**27,782**	**875**	**-**	**-**	**10,469**	**(3,884)**	**-**	**-**	**204,897**	**240,139**	**1**	**240,140**
V.	**Capital Increase by Cash**		**187,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**187,000**	**-**	**187,000**
VI.	**Capital Increase by Internal Sources**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Paid-in capital inflation adjustment difference**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible Bonds to Shares**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Debt Instruments**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase/Decrease by Other Changes**		**-**	**-**	**-**	**25,343**	**-**	**-**	**-**	**-**	**-**	**-**		**(29,459)**	**-**	**(4,116)**	**-**	**(4,116)**
XI.	**Profit Distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**81,962**	**25,653**	**(107,615)**	**-**	**-**	**-**
11.1	Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	81,962	25,653	(107,615)	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+……+X+XI)		**1,167,000**	**54**	**-**	**289,538**	**27,782**	**(3,096)**	**-**	**-**	**(52,783)**	**(3,884)**	**549,430**	**(481,224)**	**204,897**	**1,697,714**	**16**	**1,697,730**

1. Accumulated Revaluation Increase/Decrease of Fixed Asset,
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan,
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss),
4. Foreign Currency Translation Differences,
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income,
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

The accompanying notes are an integral part of these financial statements.

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated).

							Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
	31 December 2019	**Note (Section Five)**	**Paid-in Capital**	**Share Premiums**	**Share Cancellation Profits**	**Other Capital Reserves**	**1**	**2**	**3**	**4**	**5**	**6**	**Profit Reserves**	**Prior Period Profit or (Loss)**	**Current Period Profit or (Loss)**	**Total Equity Except for Minority Shares**	**Minority shares**	**Total Shareholders' Equity**
I.	**Prior Period End Balance**		**1,167,000**	**54**	**-**	**289,538**	**27,782**	**(3,096)**	**-**	**-**	**(52,783)**	**(3,884)**	**549,430**	**(481,224)**	**204,897**	**1,697,714**	**16**	**1,697,730**
II.	**Corrections and Accounting Policy Changes Made According to TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Beginning Balance (I+II)**		**1,167,000**	**54**	**-**	**289,538**	**27,782**	**(3,096)**	**-**	**-**	**(52,783)**	**(3,884)**	**549,430**	**(481,224)**	**204,897**	**1,697,714**	**16**	**1,697,730**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**(362)**	**-**	**-**	**14,624**	**(4,046)**	**-**	**-**	**178,057**	**188,273**	**1**	**188,274**
V.	**Capital Increase by Cash**	**II-k**	**563,655**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**563,655**	**-**	**563,655**
VI.	**Capital Increase by Internal Sources**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Paid-in capital inflation adjustment difference**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible Bonds to Shares**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Debt Instruments**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase/Decrease by Other Changes (*)**		**-**	**-**	**-**	**10,874**	**-**	**-**	**-**	**-**	**-**	**-**		**(43,761)**	**-**	**(32,887)**	**-**	**(32,887)**
XI.	**Profit Distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**31,708**	**173,189**	**(204,897)**	**-**	**-**	**-**
11.1	Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	31,708	173,189	(204,897)	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+……+X+XI)		**1,730,655**	**54**	**-**	**300,412**	**27,782**	**(3,458)**	**-**	**-**	**(38,159)**	**(7,930)**	**581,138**	**(351,796)**	**178,057**	**2,416,755**	**17**	**2,416,772**

(*) The Parent Bank has accounted TL 43,761 of interest payment related to the additional tier I capital, under the prior period profit/(loss) account.

1. Accumulated Revaluation Increase/Decrease of Fixed Asset,
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan,
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss),
4. Foreign Currency Translation Differences,
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income,
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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

VI. STATEMENT OF CASH FLOWS

		Notes (Section Five)	Audited 1 January 2019- 31 December 2019	Audited 1 January 2018- 31 December 2018
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating Profit/(Loss) Before Changes in Operating Assets and Liabilities**		**625,543**	**(1,813,462)**
1.1.1	Interest Received		2,804,454	2,158,208
1.1.2	Interest Paid		(2,126,072)	(1,795,669)
1.1.3	Dividend Received		-	-
1.1.4	Fees and Commissions Received		163,522	94,255
1.1.5	Other Income		217,438	678,275
1.1.6	Collections from Previously Written-off Loans and Other Receivables		215,892	175,229
1.1.7	Payments to Personnel and Service Suppliers		(195,745)	(145,059)
1.1.8	Taxes Paid		(127,256)	(27,494)
1.1.9	Other		(326,690)	(2,951,207)
1.2	**Changes in Operating Assets and Liabilities**		**1,384,469**	**3,695,207**
1.2.1	Net Increase/(Decrease) in Financial Assets at Fair Value Through Profit or Loss		32,461	(18,885)
1.2.2	Net Increase/(Decrease) in Due from Banks and Other Financial Institutions		(483,001)	751,607
1.2.3	Net Increase/(Decrease) in Loans		(1,262,802)	(2,348,010)
1.2.4	Net Increase/(Decrease) in Other Assets		(129,296)	(310,694)
1.2.5	Net Increase/(Decrease) in Bank Deposits		(4,700)	(364,178)
1.2.6	Net Increase/(Decrease) in Other Deposits		1,465,361	2,657,289
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		2,823,447	2,648,509
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		(1,057,001)	679,569
I.	**Net Cash Provided from Banking Operations**		**2,010,012**	**1,881,745**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net Cash Provided from Investing Activities**		**(211,973)**	**(243,293)**
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		(66,070)	(253,634)
2.4	Disposals of Property and Equipment		6,361	10,341
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(259,702)	-
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income		50,572	-
2.7	Purchase of Financial Assets Measured at Amortised Cost		-	-
2.8	Sale of Financial Assets Measured at Amortised Cost		56,866	-
2.9	Other		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net Cash Provided from Financing Activities**		**(560,288)**	**494,511**
3.1	Cash Obtained from Funds Borrowed and Securities Issued		762,950	543,226
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(1,862,716)	(235,715)
3.3	Issued Capital Instruments		563,655	187,000
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		(24,177)	-
3.6	Other		-	-
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**387,240**	**(670,738)**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)**		**1,624,991**	**1,462,225**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**VI-a-3, i**	**2,864,730**	**1,402,505**
VII.	**Cash and Cash Equivalents at End of the Period**	**VI-a-3, i**	**4,489,721**	**2,864,730**

The accompanying notes are an integral part of these financial statements.

ALTERNATİFBANK A.Ş.
STATEMENT OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

VII. PROFIT DISTRIBUTION STATEMENT (*)	31 December 2019 (*)	31 December 2018 (**)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1. CURRENT YEAR INCOME	211,497	264,167
1.2. TAXES AND DUTIES PAYABLE (-)	(39,717)	(34,004)
1.2.1. Corporate Tax (Income tax)	-	-
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and duties (***)	(39,717)	(34,004)
A. NET INCOME FOR THE YEAR (1.1-1.2)	**171,780**	**230,163**
1.3. PRIOR YEAR LOSSES (-)		-
1.4. FIRST LEGAL RESERVES (-)		**11,508**
1.5. OTHER STATUTORY RESERVES (-)		-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)] (*)	**171,780**	**218,655**
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 Share	-	-
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	-	**218,655**
1.13. OTHER RESERVES	-	-
1.14. SPECIAL FUNDS	-	-
	-	-
II. DISTRIBUTION OF RESERVES	-	-
	-	-
2.1. APPROPRIATED RESERVES	-	-
2.2. SECOND LEGAL RESERVES (-)	-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of privileged shares	-	-
2.3.3. To owners of preferred shares	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To holders of profit and loss sharing certificates	-	-
2.4. DIVIDENDS TO PERSONNEL (-)	-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
	-	-
III. EARNINGS PER SHARE (****)	-	-
3.1. TO OWNERS OF ORDINARY SHARES	-	0.1774
3.2. TO OWNERS OF ORDINARY SHARES (%)	-	17.74
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 (%)	-	-

(*) Profit distribution is decided by the Board of Directors of the Parent Bank. Annual General Meeting has not been held as of reporting date.

(**) Statement of profit distribution related to prior period has been approved and restated in accordance with General Assembly Decision as of 29 March 2019, after is suance of audited financial statements of 31 December 2018.

(***) According to BRSA's circular, the amount related to the current period is deferred tax income, the amount related to the previous period is deferred tax expense.

(****) Full TL amount has been stated for each nominal amount of 1.000 and amounts represent of the statement of profit distribution of Parent Bank.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. Basis of Presentation

As prescribed in the Article 37 of the Banking Act No. 5411, the Bank prepares its financial statements and underlying documents in accordance with the "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency ("BRSA") and Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA") except for BRSA regulations. TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The consolidated financial statements have been prepared in TL, under the historical cost basis as modified in accordance with inflation adjustments applied until 31 December 2004, except for the financial assets and liabilities carried at fair value. Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.

The preparation of consolidated financial statements in conformity with BRSA Accounting and Reporting Legislation 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 are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles are defined and applied in accordance with BRSA Accounting and Reporting Legislation. Those accounting policies and valuation principles are explained in Notes II to XXVIII below.

Additional paragraph for convenience translation into English

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

II. Strategy of Using Financial Instruments and Foreign Currency Transactions

A major portion of the Parent Bank's funding has fixed interest rates; almost all TL placements consist of low-risk short-term transactions. Liquidity risk is monitored closely and the adequacies of available resources (which will be due within a certain period of fulfillment of obligations) are closely monitored. The maturity structure of placements isa aimed to be in line with the maturities of resources of the country to the extent permitted by current conditions.

Risk bearing short term positions of currency, interest or price movements in money and capital markets is evaluated within the trading risk. The Parent Bank evaluated the required economic capital for trading risk and based on that risk limits are determined. This portfolio, being priced by the market on a daily basis and the limits are monitored on a daily basis. Risk limits are approved by Board of Directors once a year following the approval of the budget except a revision is required due to the economic conditions.

As of 31 December 2019 and 31 December 2018, the Group does not have any investment in foreign companies.

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

III. Consolidated Subsidiaries

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" and the "Turkish Accounting Standard for Consolidated and Separate Financial Statements" ("TFRS 10") published in the Official Gazette No. 26340 dated 8 November 2006.

The financial statements of the subsidiaries, which were prepared in accordance with the prevailing principles and rules regarding financial accounting and reporting standards according to the Turkish Commercial Code and/or Financial Leasing Law and/or communiqués of the Capital Market Board, are duly adjusted in order to present their financial statements in accordance with TAS and TFRS.

Accounting policy of the subsidiaries when different from the parent bank, differences are harmonized in the financial statements according with the principle of importance. Subsidiaries financial statements are prepared as of 31 December 2019.

Consolidation principles for subsidiaries:

Subsidiaries (including special purpose entity), in which Group has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies, have been fully consolidated.

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders' equity in scope of the materiality principle. Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from their acquisition date. If necessary, accounting policies of subsidiaries may have been changed in order to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. In order to determine the net income of the Group, minority interest in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary. In the consolidated balance sheet, minority interest has been presented separately from the liabilities and the shares of the Group shareholders. Also, in the income statement, minority interest has been presented separately.

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Activity center (City/Country)	Activity	Ownership rates (%)	Indirect Ownership rates (%)
Alternatif Yatırım Menkul Değerler A.Ş.	İstanbul/Türkiye	Investment Management	100.00	100.00
Alternatif Finansal Kiralama A.Ş.	İstanbul/Türkiye	Leasing	99.99	99.99

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. Interest Income and Expense

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

V. Fee and Comission Income and Expense

Except for the banking services revenues are recognized as income at the time of collection, commission income related with the cash and non-cash loans are deferred and recognized as income by using with the effective interest rate method in accordance with TFRS 15 "Revenue from Contracts with Customers" standard. Depending on nature of fees and commission income derived from agreements and asset purchases for third parties are recognized as income when realized.

Fees and commission expenses paid to the other institutions are recognized as operation cost in the prepaid expense and recorded using the effective interest rate method and reflected to expense accounts in related period according to periodicity.

VI. Financial Assets

The Group categorizes its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the 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 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, business model determined by 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/loss" are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aimes to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from shortterm fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

b. Financial Assets at Fair Value through Other Comprehensive Income

A financial asset is measured at fair value through other comprehensive income when both of the following conditions are provided:

- Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell,

- Financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates.

Valuation of such assets is based on its fair value. "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 reflected 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.

In case of sales, the realized gain/(losses) are recognized directly in the income statement.

During initial recognition an entity may irrevocably elect to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VI. Financial Assets (Continued)

c. Financial Assets Measured at Amortized Cost

A financial asset is measured at amortized cost when both of the following conditions are provided:

- Financial assets within a business model that aims to hold to collect contractual cash flows,

- Financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using "Effective Interest Rate Method". Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

d. Derivative Financial Assets

The Group uses derivative financial instruments to hedge its foreign currency and interest rate risk.

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

Derivatives are initially recorded with their fair values and related transaction costs as of the contract date are recorded on gain or loss. The following periods of initial reporting, they are measured with their fair values. The result of this assessment, offsetting debit and credits stemming from each contract debit and credits are reflected to the financial statements as a contract-based single asset and liability. The recognition method of profit/loss is based on whether the related derivative is hedged or not, and the content of the hedged instrument.

The Group notifies in written the relationship between hedging instrument and related account, risk management aims of hedge and strategies and the methods using to measure of the hedge effectiveness. The Group evaluates the method of hedge whether to be effective on the expected changes in fair values in this process or not or each result of hedge effectiveness whether to be between the range of 80% and 125%.

Changes in fair values of derivative transactions determined as hedge for fair value are recorded in profit or loss together with changes in hedging asset or liability.

The difference in current values of derivative transactions fair value hedge is shown in "Trading Gains/(Losses) on derivative financial instruments" account. In the balance sheet, change in fair value of hedge asset or liability during the hedge accounting to be effective is shown with the related asset or liability. In case of inferring hedge accounting, corrections made to the value of hedge account using straight-line amortization method within the days to maturity are reflected to "Trading gains/losses on derivative financial instruments" account in income statement.

Derivative financial instruments of the Group are classified under "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets Designated at Fair Value through Profit or (Loss)" or "Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income". In accounting policy choice, TFRS 9 provides the option of postponing the acceptance of TFRS 9 hedge accounting and continuing with TAS 39 "Hedge accounting". In this context, the Group continued to apply TAS 39 "Hedge accounting".

The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts. "Financial instruments at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "financial assets at fair value through profit or loss" in "derivative financial assets held for trading" and if the fair value difference is negative, it is disclosed under "derivative financial liabilities held for trading". Fair value changes are recorded under "Derivative Financial Transactions Gains/(Losses)" in the income statement. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VI. Financial Assets (Continued)

e. Loans

Loans are financial assets which are created by providing money, goods or services to the debtor. Loans are recognized at acquisition cost which is reflecting the fair value after that measured at amortized cost using the effective interest rate method. Any fees and other similar charges paid for assets received as collateral are not considered as part of the transaction cost and reflected in the expense accounts.

Cash loans in personal and corporate loans, according to the Uniform Chart of Accounts ("UCA") and Prospectus are recognized in accordance with their original balances in the account specified.

The foreign exchange indexed commercial and individual loans are being monitored by the exchange rate of the opening date over Turkish Lira in the TL accounts. Repayments are calculated at the exchange rate at the date of payment, the resulting exchange differences are recognized in the income and expense account.

Starting from 24 March 2014, the Bank has hedged the fair value effects of changes in libor interest rates, fixed interest rate with maturity 5 years funding by using interest rate swap. The nominal value of interest rate swap is TL 55,000 with maturity 5 years respectively.

As of 24 March 2019, the difference of TL 254 resulting from the changes in the fair values of the loans that are subject to fair value hedge accounting will be amortized until 25 December 2023.

VII. Impairment of Financial Assets

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, the Group recognizes provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750.

In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9.

In December, Group deducted amounting to TL 621,791 which are non-performing loans notional amount and its provisions within the scope of the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette on 27 November 2019.

The Group estimates the expected credit losses for a financial lease based on the probabilities determined by taking into account the probable outcomes and estimates the fair value of the money and the estimates of past events, current conditions and future economic conditions at reasonable rates, and reflects supportable information during the reporting period.

The Group calculates the expected loss provisions collectively or individually according to the level of risk determined by the Group.

Within the scope of internal policies, the Group, evaluates the calculation of credit losses in accordance with TFRS 9, as an individual assessment based on expert opinion. In this context, the Group takes into account the weight of the estimating the probability of scenario of the occurrence or failure of the related loan losses and reduced expected cash flows to the reporting date with effective interest rate.

The Group uses three basic parameters in the calculation of expected credit loss as default rate, loss in default and default amount. The calculation is also based on these scenarios, time value of money, the historical observed data and the forecasting of the macroeconomic situation.

In the calculation of expected credit loss, the Group includes the prospective macroeconomic information in to the credit risk parameters. In this context, economic models based on the relationship of credit risk parameters with macroeconomic variables are established based on multi-scenario, and the models mainly take into account the basic macroeconomic variables such as Gross Domestic Product (GDP) and Unemployment Rates. The efficiency and adequacy of the models used in the calculation of credit losses are reviewed at regular intervals.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. Impairment of Financial Assets (Continued)

Financial assets included in TFRS 9, is divided into three stages according to the change in loan quality after initial recognition and the expected credit loss is calculated according to the stage:

• Stage 1: For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

• Stage 2: In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. For these assets, lifetime expected credit losses are recognized.

• 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.

- Definition of Default:

Default means, when the borrower's payment obligations which against to the Bank, delays more than 90 days from the date of payment in part or in full, or he is not pay.

- Considered as a significant increase in credit risk;

- Overdue receivables of more than 30 days
- Receivables followed in close monitoring portfolio
- Restructured receivables due to payment difficulties
- Receivables from non-problematic consumer loans from individual customers with problematic consumer loans
- Receivables exceeding the established thresholds for the differences between the default probabilities measured at the time of the financial statements and the default probabilities observed at the reporting date

VIII. Offsetting Financial Instruments

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 to collect/pay related financial assets and liabilities on a net basis, or there is an intention to realize the asset and settle the liability simultaneously. Otherwise, any related financial assets and liabilities are not offset.

IX. Sales and Repurchase Agreements and Securities Lending Transactions

Funds obtained by the Parent Bank from repurchase agreements ("repo") are accounted under "Money Market Balances" in liabilities.

The Group's repurchase agreements are composed short-term government bonds and treasury bills. Financial assets subject to repurchase agreements, parallel to the classification of financial instruments, the fair value recognition in profit or loss, are classified as available for sale or held to maturity financial assets. Repo subjected financial assets' income recognized in interest income, while expenses paid under repurchase agreements are recognized in interest expenses.

Funds given against securities purchased under agreements to resell ("Reverse Repo") are accounted under "Money Market Placements " on the balance sheet.

X. Assets Held For Sale and Discontinued Operations

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

The Group classified assets that were acquired due to non-performing receivables, as assets held for sale.

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

As of 31 December 2019 and 31 December 2018 The Group has no discontinued operations.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XI. Goodwill and Other Intangible Assets

Group has TL 49,647 goodwill in consolidated financial statements as of balance sheet date (31 December 2018: TL 49,647).

Goodwill is the amount that exceeds the cost of buying of fair value expressed as the amount of the group share in net identifiable assets of the Group's purchased subsidiaries. Annual impairment test is performed for goodwill every year and shown as deducting accumulated impairment from cost of goodwill. Provision for impairment on goodwill is not reversed.

As a result of the disposal of the business that gain or loss occurs includes the carrying amount goodwill related to disposed business.

Goodwill is distributed to cash generating units for impairment test. Distributions are made to benefit from the business combination in which the goodwill arose expected to cash-generating units or groups. The recoverable amount of the cash-generating unit is determined based on value in used calculations. These calculations require the use of estimates.

The intangible assets which are purchased before 1 January 2005 have been restated fot the effects of inflation and the intangible assets after this date are presented with their purchase cost, accumulated depreciation and amortization and impairment. According to the regular amortization method, long term assets depreciate regarding to their useful lives. The amortization method and the period are reviewed in each year-end. The intangible assets are mainly consisted of software programs and rights and according to the straight line method of depreciation, they amortize in between 3 to 15 years.

XII. Property and Equipment

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

Properties and equipments are being depreciated by applying the straight-line method, in accordance with the Tax Procedure Law which estimates the useful lives.

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.

If properties and equipments' value, adjusted for inflation (until 31 December 2004) is higher than the current value, exceeding amount is being allocated for impairment and determined amounts are reflected in the financial statements.

Expenditures for the repair and renewal of property and equipment are recognised as expense.

There are no pledges, mortgages or other restrictions on the properties and equipments.

Tangible assets within the property's net book value by comparing the fair value determined as of the last year by a licensed real estate appraisal companies, In case of an indication of the presence related to the fair value impairment, the recoverable amount of the asset "Turkey Related to Impairment Accounting Standards" (TAS 36) are estimated within the framework and the recoverable amount is below the asset's book value, a provision for impairment is separated and formed is recognized in "Other Operating Expenses" in the relevant period.

Gains or losses on disposals of property, plant and equipment are recognized in the statement of profit or loss as the difference between the net book value and the carrying amount of the property, plant and equipment.

The Parent Bank has started to account properties under the tangible assets with their revalued amount instead of cost values in accordance with "TAS 16 Plant and Equipment" on 31 December 2018. The revaluation difference arising from the valuations made by the appraisal firms authorized by Capital Markets Board ("CMB") and BRSA is accounted in Investment Properties Revaluation Differences line under the Shareholders' Equity.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XII. Property and Equipment (Continued)

Net book value of the property are compared with the fair values determined by independent appraisers as of the year end and provision for impairment is recognized in "Other Operating Expenses" in the related period income statement when the fair value is below the net book value in accordance with "Turkish Accounting Standard on Impairment of Assets" (TAS 36).

Profit or loss on disposals of property, plant and equipment are recognized in the statement of profit or loss as the difference between the net book value and the carrying amount of the property, plant and equipment.

The Group has started to account head-office building under the tangible assets with its revalued amount instead of cost value in accordance with "IAS 16 Plant and Equipment" on 31 December 2018. The revaluation difference arising from the valuation made by the appraisal firms authorized by CMB and BRSA, is accounted in Property and Plant Revaluation Differences line under the Shareholders' Equity.

XIII. Leasing Transactions

The Parent Bank assesses whether the contract has the quality of a lease or whether the lease includes the transaction at the beginning of a contract. In case the contract is transferred for a certain period of time to control the use of the asset defined for a price, it is either leased or includes a lease. The Parent Bank reflects the existence of a right of use and a lease liability to the financial statements at the effective date of the lease.

Right of use assets:

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

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

When the Bank applying the cost method, the existence of the right to use:

- Accumulated depreciation and accumulated impairment losses are deducted and
- Measures the restatement of the lease obligation at the restated cost.

The Lease Obligations:

At the effective date of the lease, the Parent Bank measures its leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the the Parent Bank's average borrowing interest rates. The lease payments included in the measurement of the lease liability consist of the payments to be made for the right of use during the lease term of the underlying asset and the unpaid payments at the effective date of the lease.

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

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

The interest on the lease liability for each period in the lease period is the amount calculated by applying a fixed periodic interest rate to the remaining balance of the lease liability. "TFRS 16 Leasing" Standard was promulgated in Official Gazette No. 29826, dated 16 April 2018 to be applied in the accounting period starting on 31 December 2018. The Parent Bank applied TFRS 16 "Leasing" standard, which replaced TAS 17 "Leasing", as of 1 January 2019, the date of first implementation.

The Parent Bank has chosen simplified transition approach method while adopting TFRS 16 and prior period comparative figures have not been restated.

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. Leasing Transactions (Continued)

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

	1 January 2019
Branches	37,455
Vehicles	9,963
Total right of use assets	**47,418**
	1 January 2019
Operational leasing commitments	126,360
- Contracts that are excluded from the scope of TFRS 16 (-)	-
Total lease liability	126,360
Discounted lease liabilities	**45,999**

As of 31 December 2019, net right of use assets and net lease liabilities are amounting to TL 63,841 and TL 50,370 respectively.

XIV. Provisions, Contingent Asset and Liabilities

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 Parent Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined by using the Parent Bank Management's best expectation of expenses in fulfilling the obligation, and discounted to present value if material. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Parent Bank, it is considered that a “Contingent” liability exists and it is disclosed in the related notes to the financial statements.

XV. Obligations Related To Employee Rights

Obligations related to employee termination and vacation rights are accounted in accordance with “Turkish Accounting Standard for Employee Rights” (“TAS 19”). Under the Turkish Labor Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labor Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation arising from this liability. Actuarial gains and losses are accounted for under equity.

XVI. Taxation

a. Corporate tax

In Turkey, the corporate tax rate is 20% since January 1, 2006. With the Law, No. 7061 Amendment of Certain Taxes and Laws and Other Acts promulgated in the Official Gazette, tax rate will applied as 22% for three years between 2018 and 2020. In addition, Council of Ministers is authorised to reduce the rate from 22% to 20%.

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 at a current rate on their corporate income. Advance tax is declared by the 15th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. Taxation (Continued)

a. Corporate tax (Continued)

A 75% portion of the capital (With the Law, No. 7061 Amendment of Certain Taxes and Laws and Other Acts promulgated in the Official Gazette, dated 5 December 2017, the exemption applied as 75% was decreased to 50% to be effective as of the promulgation of the Law for the mentioned sale of properties.) gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

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

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

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.

Corporate Tax Law has been amended with Article 91 of the Law, No. 7061 effective upon promulgation in the Official Gazette, No. 30261, dated 5 December 2017; and the corporate tax levied on the corporate income has been increased from 20% to 22% to be applied for the income belonging to 2018, 2019 and 2020. The Group calculates deferred tax at the relevant rates considering the periods in which deferred tax assets and liabilities will be fulfilled. However, because of the corporate tax rate is 20% and applicable to post 2020, 20% tax rate is used for temporary differences expected/expected to be closed after 2020. Deferred tax rate calculation has started to be measured over temporary expected provision losses differences according to TFRS 9 articles from 1 January 2018.

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

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

XVII. Additional Explanations on Borrowings

Debt instruments with different characteristics such as syndicated borrowings and post-financing obtained from foreign financial institutions, marketable securities issued in domestic and foreign markets and money market borrowings are major funding source of the Bank. Mentioned borrowings are carried initially at acquisition cost and subsequently recognized at the discounted value calculated using by "Effective interest rate method".

XVIII. Share Certificates and Issuance of Share Certificates

At capital increases, the Parent Bank accounts the difference between the issued value and nominal value as share issue premium under shareholders' equity, in the case where the issued value is higher than the nominal value.

There is no decision of the Parent Bank for dividend distribution after the balance sheet date.

XIX. Avalized Drafts And Acceptances

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

XX. Government Incentives

As of 31 December 2019, the Group has an investment allowance of TL 45,494 which has not been used yet. 40% of the amount of the investment cost of the financial leasing investments.

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXI. 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.

In accordance with the decision of the Ordinary General Assembly dated 28 March 2018, The Bank has decided to allocate 5% of the legal reserve over the net distributable profit and transfer the remaining amount, after the distribution of legal reserves, offset from prior year's losses within the framework of the Articles of Association and the Turkish Commercial Code.

XXII. Earnings Per Share

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

	31 December 2019	**31 December 2018**
Group's Profit	178,057	204,898
Weighted Average Number of Issued Ordinary Shares (Thousand) (*)	1,520,749	1,167,000
Earnings/(Losses) Per Share (Disclosed in full TL)	**0.1171**	**0.1774**

(*) The number of share capital is calculated by weighting the capital increases, which were made on 30 June 2019, 27 March 2019 and 24 January 2018.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("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.

No bonus shares were issued as of 31 December 2019 (31 December 2018: None).

XXIII. Related Parties

For the purpose of these financial statements, shareholders, key management personnel and board members together with their families and companies controlled by/affiliated with them, and associated companies are considered and referred to as related parties in accordance with "Turkish Accounting Standard for Related Parties" ("TAS 24"). The transactions with related parties are disclosed in detail in Note VII. of Section Five.

XXIV. Cash and Cash Equivalents

For the purposes of preparation 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 and time deposits at banks with original maturity periods of less than three months.

XXV. Explanations on the Accounting Policies of the Current Period

IFRS 16 Leasings

On 16 April 2018, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases - Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The Bank has chosen to implement paragraph C5 (b) of the relevant standard and will not rearrange comparative informations. The implementation of this amendment to TFRS 16 did not have a significant impact on the financial statements of the Bank.

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVI. Explanations on Accounting Policies, Changes in Accounting Estimates and Errors Standard

The Parent Bank's revisions to the past period are explained as below.

The Parent Bank has reclassified the previous period's impairment reversals amounting to TL 273,251 from "Other operating income" to "Expected credit losses" " in the statement of income as of 31 December 2019.

The effects of these adjustments to the unconsolidated financial statements of the Parent Bank are given below.

	Reported 31 December 2018	**Classifications**	**Restated 31 December 2018**
Net Profit / (Loss)	*204,898*	-	*204,898*
Other Operation Income	296,606	(273,251)	23,355
Expected Provision Losses and Other Provision Losses	(489,860)	273,251	(216,609)

XXVII. Explanations on Other Matters

None.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVIII. Operating Segments

Information about operating segments which are determined in line with TFRS 8 "Turkish Financial Reporting Standard about Operating Segments" together with organizational and internal reporting structure of the Group.

a) The Parent Bank provides basic banking services in corporate/commercial banking and treasury.

b) Corporate banking services consists of automatic money transfers, current accounts, deposits, open loan transactions as well as option and other derivative instruments that are used for banking operations.

c) Investment banking services consists of trading of financial instruments and fund management.

d) The Parent Bank's one of the subsidiary Alternatif Yatırım Menkul Değerler A.Ş. provides capital market activities in accordance with Capital Market Law and relevant legislations. In accordance with the law and within the authorization and permits given, the Company operates in the company brokerage, portfolio management, margin trading, Short Selling and Lending and Borrowing of Securities, investment advisory, the securities exchange with buy-back sell-back commitment, intermediation for public offering , intermediation for the derivative instruments exchange.

According to the Law, the Company received an authority certificate from the Capital Market Board to create the company's portfolio, to managing and to make changes in the portfolio when it is necessary. Parent Bank's another subsidiary Alternatif Finansal Kiralama A.Ş., established in 1997 to operate in Turkey, within the framework of 3226 Financial Leasing Law, with following permission from Undersecretariat of Treasury. Company has been operating its activities within the framework of BRSA's 'Regulations on the Establishment and Procedures of the Financial Leasing, Factoring and Financing Company', published in the Official Gazette No. 28627 in 24 April 2013.

e) Other operations consist of subsidiaries and joint ventures, tangible assets, intangible assets, deferred tax asset and equity amounts and other income/loss accounts associated with these accounts.

f) The Group's software requirements, possible software updates and additional software requirements to compete with other firms are provided by the Parent Bank.

g) According to the table provided, share of each Group's operating segment in the Balance sheet is as follows; corporate/retail banking 63%, investment banking 33% and other 4%.

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVIII Operating Segments (Continued)

Major balance sheet and income statement items according to operating segments

31 December 2019	Corporate / Retail Banking	Investment Banking	Other	Total Operations of the Group
Net Interest Income / (Expense)	612,283	54,182	-	666,465
Net Fees and Commissions Income and Other Operating Income	110,862	9,227	-	120,089
Trading Profit/Loss	32,536	171,453	-	203,989
Dividend Income	-	2,804	-	2,804
Impairment Provision for Loans and Other Receivables (-)(*)	(352,323)	(11,529)	-	(363,852)
Other Operating and Personnel Expenses(-)	(356,965)	(53,378)	-	(410,343)
Profit Before Taxes				219,152
Tax Provision				(41,094)
Minority				1
Net Profit for the Period				**178,058**
31 December 2019				
Segment Assets	18,824,424	9,905,239	1,358,524	30,088,187
Investments in Associates and Subsidiaries				-
Total Assets	18,824,424	**9,905,239**	**1,358,524**	**30,088,187**
Segment Liabilities	17,170,535	6,931,522	3,569,358	27,671,415
Shareholders' Equity	-	-	2,416,772	2,416,772
Total Liabilities	**17,170,535**	**6,931,522**	**5,986,130**	**30,088,187**

(*) Impairment provision for loans and other receivables indicates expected credit losses and other provision expenses.

31 December 2018	Corporate / Retail Banking	Investment Banking	Other	Total Operations of the Group
Net Interest Income / (Expense)	583,905	(4,160)	-	579,745
Net Fees and Commissions Income and Other Operating Income	75,488	5,324	-	80,812
Trading Profit/(Loss)	17,773	138,658	-	156,431
Dividend Income	-	90	-	90
Impairment Provision for Loans and Other Receivables (-)(*)	(206,085)	(10,524)	-	(216,609)
Other Operating Expenses (-)	(353,392)	(8,389)	-	(361,781)
Profit Before Taxes				238,688
Tax Provision				(33,790)
Minority Shares				1
Net Profit for the Period				**204,898**
31 December 2018				
Segment Assets	17,330,412	7,326,500	1,197,532	25,854,444
Investments in Associates and Subsidiaries				-
Total Assets	**17,330,412**	**7,326,500**	**1,197,532**	**25,854,444**
Segment Liabilities	15,300,347	4,292,600	4,563,767	24,156,714
Shareholders' Equity	204,160	31,666	1,461,904	1,697,730
Total Liabilities	**15,504,507**	**4,324,266**	**6,025,671**	**25,854,444**

(*) Impairment provision for loans and other receivables indicates expected credit losses and other provision expenses.

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Shareholders' Equity

The standard rate of the capital adequacy of the Group is 17.25% (31 December 2018: 16.32%). The standard rate of the capital adequacy of the Parent Bank is 17.79% (31 December 2018: 17.17%).

The calculation of the standard rate of the Capital adequacy is made within framework of the "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks (Regulation)", which was published in Official Gazette No.29111 dated 6 September 2014.

a. Information on Shareholders' Equity

	31 December 2019	31 December 2018
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1,730,655	1,167,000
Share issue premiums	54	54
Reserves	581,138	549,430
Gains recognized in equity as per TAS	64,321	53,497
Profit	178,435	240,503
Current Period Profit	178,057	204,897
Prior Period Profit	378	35,606
Minority Shares	17	16
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	**2,554,620**	**2,010,500**
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the 1st clause of article 9.(i) of the Regulation on Bank Capital	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	137,727	224,542
Improvement costs for operating leasing (-)	21,426	17,348
Goodwill (net of related tax liability)	49,647	49,647
Other intangibles other than mortgage-servicing rights (net of related tax liability)	60,295	51,863
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	-	-
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	-	-

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

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

I. Explanations on Shareholders' Equity (Continued)

a. Information on Shareholders' Equity (Continued)

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	**269,095**	**343,400**
Total Common Equity Tier 1 Capital	**2,285,525**	**1,667,100**
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA(**)	264,195	264,195
Debt instruments and the related issuance premiums defined by the BRSA (Covered by Temporary Article 4)	-	-
Third parties' share in the Tier II Capital	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-	-
Additional Tier I Capital before Deductions	**264,195**	**264,195**
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 Taxes not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	-	-
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	**264,195**	**264,195**
Total Tier I Capital (Tier I Capital=Common Equity Tier 1 Capital+Additional Tier I Capital)	**2,549,720**	**1,931,295**
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	2,061,358	1,832,665
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Third parties' share in the Tier II Capital	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	9,619	20,804
Tier II Capital Before Deductions	**2,070,977**	**1,853,469**
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 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 Core Capital and Tier II Capital of Consolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	**2,070,977**	**1,853,469**
Total Capital (The sum of Tier I Capital and Tier II Capital)	**4,620,697**	**3,784,764**
Deductions from Total Capital	**4,620,697**	**3,784,764**

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

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

I. Explanations on Shareholders' Equity (Continued)

a. Information on Shareholders' Equity (Continued)

Loans granted against the articles 50 and 51 of the banking law	1,396	1,515
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 three years	-	-
Other items to be defined by the BRSA	-	-
Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period	-	-
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	-	-
TOTAL CAPITAL		
Total Capital (The sum of Tier I Capital and Tier II Capital)	4,619,301	3,783,249
Total risk weighted amounts	26,772,367	23,176,853
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	8.54%	7.19%
Tier 1 Capital Adequacy Ratio (%)	9.52%	8.33%
Capital Adequacy Ratio (%)	17.25%	16.32%
BUFFERS		
Bank specific total Common Equity Tier 1 Capital requirement (%)	2.50%	1.88%
Capital conservation buffer requirement (%)	2.50%	1.88%
Bank specific counter-cyclical buffer requirement (%)	0.00%	0.00%
Systemic significant bank buffer rate	0.00%	0.00%
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 (%)	3.52%	2.33%
Amounts below the Excess Limits as per the Deduction Principles	-	-
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	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	-	-
Remaining Mortgage Servicing Rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation	-	-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	9,619	20,804
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	9,619	20,804
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 1 January 2018 and 1 January 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 temprorary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGAMENT OF THE GROUP (Continued)

I. Explanations on Shareholders' Equity (Continued)

b. Details on Subordinated Liabilities

Issuer	**The Commercial Bank (P.S.Q.C.)**
Unique identifier (eg CUSIP, ISIN)	-
Governing law(s) of the instrument	Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated	Valid on Consolidated and Unconsolidated Basis
Instrument type	TIER-I Subordinated Loan
Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date)	264,195
Par value of instrument (Million TRL)	264,195
Accounting classification	414
Original date of issuance	30.06.2015
Demand or time	Demand
Original maturity date	Demand
Issuer call subject to prior supervisory approval	-Illegality, - After 5th year, -Taxation reason and -Depending on regulatory as a reason BRSA has the right to refund.
Optional call date, contingent call dates and redemption amount	-
Subsequent call dates, if applicable	-
Coupons / dividends	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	9.85%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Discretionary
Existence of step up or other incentive to redeem	-
Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts int	-
Write-down feature	
If write-down, write-down trigger (s)	When unsustainable situation is realized,value decrement is realized.
If write-down, full or partial	Partial or completely value decrement is should be realized.
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After claims, deposit holders, other creditors and instruments included in the calculation of supplementary capital
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	-

INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGAMENT OF THE GROUP (Continued)

I. Explanations on Shareholders' Equity (Continued)

b. Details on Subordinated Liabilities

Issuer	**United Arab Bank, National Bank Of Oman**
Unique identifier (eg CUSIP, ISIN)	-
Governing law(s) of the instrument	Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated	Valid on Consolidated and Unconsolidated Basis
Instrument type	Secondary Subordinated Loan
Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date)	297,000
Par value of instrument (Million TRL)	297,000
Accounting classification	347
Original date of issuance	30.06.2015
Demand or time	Time
Original maturity date	10 years +1 day
Issuer call subject to prior supervisory approval	-Illegality, - After 5th year, -Taxation reason and -Depending on regulatory as a reason BRSA has the right to refund.
Optional call date, contingent call dates and redemption amount	-
Subsequent call dates, if applicable	-
Coupons / dividends	
Fixed or floating dividend/coupon	Floating
Coupon rate and any related index	Libor+6
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Mandatory
Existence of step up or other incentive to redeem	-
Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts int	-
Write-down feature	
If write-down, write-down trigger (s)	When unsustainable situation is realized,value decrement is realized.
If write-down, full or partial	Partial or completely value decrement is should be realized.
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before core capital, after all creditors
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	-

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

INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGAMENT OF THE GROUP (Continued)

I. Explanations on Shareholders' Equity (Continued)

b. Details on Subordinated Liabilities

Issuer	**Alternatif Bank A.Ş.**
Unique identifier (eg CUSIP, ISIN)	ISIN: XS1396282177
Governing law(s) of the instrument	Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated	Valid on Consolidated and Unconsolidated Basis
Instrument type	Secondary Subordinated Loan
Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date)	1,764,358
Par value of instrument (Million TRL)	1,764,358
Accounting classification	347
Original date of issuance	15.04.2016
Demand or time	Time
Original maturity date	10 years+ 1 day
Issuer call subject to prior supervisory approval	-Illegality, - After 5th year, -Taxation reason and -Depending on regulatory as a reason BRSA has the right to refund.
Optional call date, contingent call dates and redemption amount	-
Subsequent call dates, if applicable	-
Coupons / dividends	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	8.75%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Mandatory
Existence of step up or other incentive to redeem	-
Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts int	-
Write-down feature	
If write-down, write-down trigger (s)	When unsustainable situation is realized,value decrement is realized.
If write-down, full or partial	Partial or completely value decrement is should be realized.
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before core capital, after all creditors
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	-

INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGAMENT OF THE GROUP (Continued)

I. Explanations on Shareholders' Equity (Continued)

The Internal Assessment Process of Internal Capital Adequacy Regarding the Current and Future Operations

The ultimate objective of the internal assessment process of capital requirement is to sustain considering assess the capital adequacy of the Parent Bank in line with the risk profile and risk appetite by considering the Parent Bank's strategies, credit growth prospects, structure of assets and liabilities, future funding sources and liquidity, and dividend distribution policy and possible fluctuations in the capital due to the economic cycle.

Within this scope, legal and internal capital requirements are assessed prospectively, along with the annual targets of the Parent Bank, in parallel to the preparation of 5 year strategic plans. In the process of assessing internal capital requirements, the credit risk, market risk, and operational risks, in the first pillar, and the interest rate risk resulting from the Banking accounts, concentration risk, business risk, reputation risk, model risk, and exchange risk are also included.

The risks that the Parent Bank can encounter due to its operations are being evaluated in 2018 budget works and the possible capital requirements according to The Parent Bank's goal and strategies are evaluated.

The evaluation of legal and internal capital ratio requirements considers normal conditions as well as the stress conditions. The stress scenarios are designed after estimation of post macroeconomic variables, the effects of these variables on the loan costs and market risk factors (exchange rate, interest rates etc.). The effects of stress scenarios on capital, income, risk weighted assets and capital requirement are calculated.

Internal assessment of internal capital requirement is considered by the Parent Bank as an improving process and further upgrades to this method is planned for the future.

II. Explanations on Credit Risk

The total amount of risks exposed after offsetting transactions, regardless of the effects of credit risk mitigation and the average amount for the risks separated by the different risk classes and types

The sectoral concentrations for loans are monitored closely in accordance with the Bank's loan policy. During the Management of Risk Comittee meetings held every month, overall Bank's risk is monitored by analyzing sectoral concentration.

All transactions are within the limits determined by the Board of Directors and being monitored on a regular basis.

All loans are revised at least once a year according to the regulations. Following the revision performed according to the Bank's rating methodology, the credit limits are revised or additional guarantees are requested. In the same process, risk based loan loss provisions are calculated and loan pricing policies are updated according to the results. As the expected loan losses are considered as a standard cost, they are considered in the pricing process. In case of unexpected losses, economical capital values are calculated and Bank's current capital is held within the required economical capital requirements. Incomes that are reevaluated according to the risk are monitored as a performance criteria and equity sharing with the profit centers are expected to be beneficial.

Derivatives, options and other similar contracts does not have specific provisions with specific control limits and the risk arising from these contracts are limited with the Bank's global risk framework. Bank's current policy indicates that such items should be fully collateralized to eliminate possible risks.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Rescheduled loans are monitored like other loans within the Bank's internal rating application. Risk ratings of the borrowers are used for credit maturities.

Bank's international banking operations and loans are with the OECD countries and when the economic conditions of these operations are found to be unimportant of a part for the credit risk.

Bank is not active in international banking market.

The share of receivables of the Parent Bank from its top 100 cash loan customers are 61.43% in the total cash loans (31 December 2018: 62.04%).

The share of receivables of the Parent Bank from its top 100 non-cash loan customers are 78.95% in the total non-cash loans (31 December 2018: 76.07%).

The share of cash and non-cash receivables of the Parent Bank top 100 loan customers are 11.08% (31 December 2018: 10.11%) in the overall balance sheet and off balance sheet items.

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

II. Explanations on Credit Risk

Risk Group	Current Period Risk Amount (*)	Average Risk Amount (**)
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	6,153,966	5,774,617
Contingent and Non-Contingent Receivables from Regional Governments or Local Authorities	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	870	843
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-
Contingent and Non-Contingent Receivables from International organizations	-	-
Contingent and Non-Contingent Receivables from banks and Intermediaries	2,595,783	3,072,119
Contingent and Non-Contingent Corporate Receivables	20,477,699	19,367,302
Contingent and Non-Contingent Retail Receivables	1,784,829	2,001,135
Contingent and Non-Contingent Receivables Secured by Residential Property	1,078,477	1,141,318
Non-Performing Receivables	758,352	468,122
Receivables Identified as High Risk by the Board	-	-
Secured by Mortgages	-	-
Securitization Positions	-	-
Short-term Receivables frorn Banks, Brokerage Houses and Corporates	-	-
Investrnents Similar to Collective Investrnent Funds	-	-
Other Receivables	1,351,205	1,178,334
Total	**34,201,181**	**33,003,790**

(*) Represents the risk amounts after credit conversion factors.
(**) Average risk amounts are calculated by the arithmetic average year of the 2019's risk amounts.

a. Information on types of loans and specific provisions:

31 December 2019	Corporate/ Commercial	SME	Consumer	Credit Cards	Total
Standard Loans	11,246,521	3,710,711	223,204	25,173	15,205,609
Loans under Close Monitoring	2,171,381	866,449	22,681	2,945	3,063,456
Non-performing Loans	647,331	357,539	14,691	1,243	1,020,804
Specific Provisions (-) (*)	424,153	162,721	8,304	1,039	596,217
Total	**13,641,080**	**4,771,978**	**252,272**	**28,322**	**18,693,652**

31 December 2018	Corporate/ Commercial	SME	Consumer	Credit Cards	Total
Standard Loans	9,741,115	4,680,339	266,531	21,204	14,709,189
Loans under Close Monitoring	2,105,536	593,780	26,530	2,177	2,728,023
Non-performing Loans	402,351	398,508	17,697	640	819,196
Specific Provisions (-) (*)	790,031	232,185	8,886	561	1,031,663
Total	**11,458,971**	**5,440,442**	**301,872**	**23,460**	**17,224,745**

(*) Explanations about impairment of financial assets are explained in Section Third Footnote number VII.

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

II Explanations on Credit Risk

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

31 December 2019	Corporate/ Commercial	SME	Consumer	Credit Cards	Total
Past due up to 30 Days	413,792	171,791	9,294	488	595,365
Past due 30-60 Days	106,184	57,482	7,548	97	171,311
Past due 60-90 Days	52,287	51,245	1,459	40	105,031
Total	**572,263**	**280,518**	**18,301**	**625**	**871,707**

31 December 2018	Corporate/ Commercial	SME	Consumer	Credit Cards	Total
Past due up to 30 Days	429,413	106,462	45,177	824	581,876
Past due 30-60 Days	124,721	48,069	11,469	133	184,392
Past due 60-90 Days	273,812	172,995	2,059	184	449,050
Total	**827,946**	**327,526**	**58,705**	**1,141**	**1,215,318**

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

31 December 2019 Japan JCR's Rating	Financial Assets at Fair Value through P/L (Net)	Financial Assets at Fair Value through OCI (Net)	Financial Assets at Amortised Cost (Net)	Total
BBB- (*)	5,176	226,834	3,732,494	3,964,504
Total	**5,176**	**226,834**	**3,732,494**	**3,964,504**

(*) Consists of Turkish Republic government bonds, private sector bonds and treasury bills.

31 December 2018 Japan JCR's Rating	Financial Assets at Fair Value through P/L (Net)	Financial Assets at Fair Value through OCI (Net)	Financial Assets at Amortised Cost (Net)	Total
BBB- (*)	42,048	2,486	3,427,060	3,471,594
Total	**42,048**	**2,486**	**3,427,060**	**3,471,594**

(*) Consists of Turkish Republic government bonds and treasury bills.

d. Information on rating concentration:

The credit risk is evaluated according to the Parent Bank's internal rating system. The loans rated according to probability of default, from the best rating (high standard), to the lowest rate (substandard) are presented in the below table and at the bottom of the table there is past due loans (impaired).

"Above standard" category means that the debtor has a strong financial structure, "standard" category means that debtor has a good and sufficient financial structure, "substandard" category means that the debtor's financial structure under risk in the short and medium term.

	31 December 2019	31 December 2018
High Standard (A,B)	93.28%	92.04%
Standard (C)	0.89%	1.01%
Substandard (D)	0.54%	2.46%
Impaired (E)	5.29%	4.49%
Not rated	-	-

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

II. Explanations on Credit Risk (Continued)

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

31 December 2019	**Corporate/ Commercial**	**SME**	**Consumer**	**Credit Cards**	**Total**
Loans under Close Monitoring	3,309,824	1,110,844	5,082	1,300	4,427,051
Non-performing Loans	581,384	395,985	13,089	1,243	991,700
Total	**3,891,208**	**1,506,829**	**18,171**	**2,543**	**5,418,751**

31 December 2018	**Corporate/ Commercial**	**SME**	**Consumer**	**Credit Cards**	**Total**
Loans under Close Monitoring	4,523,083	3,173,886	108,168	8,207	7,813,344
Non-performing Loans	272,481	392,530	3,465	706	669,182
Total	**4,795,564**	**3,566,416**	**111,633**	**8,913**	**8,482,526**

Type of Collaterals	**31 December 2019**	**31 December 2018**
Real-estate Mortgage	3,945,880	6,518,391
Cash and Cash Equivalents	282,329	439,771
Vehicle Pledge	254,992	730,453
Other	935,550	793,911
Total	**5,418,751**	**8,482,526**

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

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

II. Explanations on Credit Risk (Continued)

f. Risk profile according to the geographical concentration

	Risk Categories (*)									
	Contingent and Non-Contingent Receivables from Central Governments or Central Banks	**Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises**	**Contingent and Non-Contingent Receivables from Banks and Intermediaries**	**Contingent and Non-Contingent Corporate Receivables**	**Contingent and Non-Contingent Retail Receivables**	**Contingent and Non-Contingent Receivables Secured by Residential Property**	**Non-Performing Receivables**	**Receivables Identified as High Risk by the Board**	**Other Receivables**	**Total**
31 December 2019										
Domestic	6,153,966	870	1,735,481	20,459,054	1,779,155	1,078,477	-	734,440	-	31,941,443
EU Countries	-	-	283,158	5,543	2,646	-	-	23,912	-	315,259
OECD Countries (**)	-	-	130,192	-	32	-	-	-	-	130,224
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	291,801	5,408	-	-	-	-	-	297,209
Other Countries	-	-	155,151	7,694	2,996	-	-	-	-	165,841
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-
Unallocated Assets Liabilities (***)	-	-	-	-	-	-	-	-	1,351,205	1,351,205
Total	**6,153,966**	**870**	**2,595,783**	**20,477,699**	**1,784,829**	**1,078,477**	**-**	**758,352**	**1,351,205**	**34,201,181**

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

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

(***) Assets and liabilities are not allocated on a consistent basis.

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

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

II. Explanations on Credit Risk (Continued)

g. Risk profile according to the geographical concentration

	Risk Categories (*)									
	Contingent and Non-Contingent Receivables from Central Governments or Central Banks	Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	Contingent and Non-Contingent Receivables from Banks and Intermediaries	Contingent and Non-Contingent Corporate Receivables	Contingent and Non-Contingent Retail Receivables	Contingent and Non-Contingent Receivables Secured by Residential Property	Non-Performing Receivables	Receivables Identified as High Risk by the Board	Other Receivables	Total
31 December 2018										
Domestic	5,226,559	813	1,443,414	17,924,512	2,342,493	1,202,365	-	366,170	-	28,506,326
EU Countries	-	-	605,369	113,870	192	12,500	-	-	-	731,931
OECD Countries (**)	-	-	67,964	-	-	-	-	-	-	67,964
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	70,277	-	-	-	-	-	-	70,277
Other Countries	-	-	343,546	-	4,624	-	-	-	-	348,170
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-
Unallocated Assets Liabilities (***)	-	-	-	-	-	-	-	-	1,130,352	1,130,352
Total	**5,226,559**	**813**	**2,530,570**	**18,038,382**	**2,347,309**	**1,214,865**	**-**	**366,170**	**1,130,352**	**30,855,020**

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

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

(***) Assets and liabilities are not allocated on a consistent basis.

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

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

II. Explanations on Credit Risk (Continued)

h. Risk profile by Sectors or Counterparties:

	Risk Categories (*)											
Sectors/Counterparties	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**TL**	**FC**	**Total**
Agriculture	**-**	**-**	**-**	**312,788**	**32,066**	**3,083**	**4,673**	**-**	**-**	**311,501**	**41,109**	**352,610**
Farming and Stockbreeding	-	-	-	282,371	29,075	3,083	3,867	-	-	278,386	40,010	318,396
Forestry	-	-	-	32	1,766	-	-	-	-	1,798	-	1,798
Fishery	-	-	-	30,385	1,225	-	806	-	-	31,317	1,099	32,416
Manufacturing	**-**	**-**	**-**	**8,861,952**	**882,970**	**124,289**	**118,515**	**-**	**-**	**2,630,154**	**7,357,572**	**9,987,726**
Mining and Quarrying	-	-	-	450,073	36,490	8,708	13,392	-	-	162,051	346,612	508,663
Production	-	-	-	7,287,084	841,957	115,048	81,060	-	-	3,367,902	4,957,247	8,325,149
Electricity, Gas and Water	-	-	-	1,124,795	4,523	533	24,063	-	-	624,217	529,697	1,153,914
Construction	**-**	**-**	**-**	**2,174,080**	**167,627**	**304,902**	**527,822**	**-**	**-**	**1,650,415**	**1,524,016**	**3,174,431**
Services	**-**	**870**	**2,595,368**	**8,870,744**	**543,389**	**472,998**	**101,507**	**-**	**-**	**5,483,564**	**7,101,312**	**12,584,876**
Wholesale and Retail Trade	-	-	-	2,700,323	329,219	65,237	67,868	-	-	1,617,075	1,545,572	3,162,647
Hotel, Food and Beverage Services	-	-	-	195,549	30,390	14,171	687	-	-	78,845	161,952	240,797
Transportation and Telecom	-	22	-	1,574,374	60,509	19,415	16,949	-	-	306,817	1,364,452	1,671,269
Financial Institutions	-	-	2,595,368	1,741,131	1,595	236,593	-	-	-	2,057,972	2,516,715	4,574,687
Real Estate and Rental Services	-	-	-	1,487,121	19,681	74,477	6,680	-	-	444,206	1,143,753	1,587,959
Self-employment Services	-	-	-	1,058,795	83,909	56,290	5,276	-	-	842,565	361,705	1,204,270
Educational Services	-	-	-	700	1,678	-	-	-	-	2,378	-	2,378
Health and Social Services	-	848	-	112,751	16,408	6,815	4,047	-	-	133,706	7,163	140,869
Other	**6,153,966**	**-**	**415**	**258,135**	**158,777**	**173,205**	**5,835**	**-**	**1,351,205**	**2,150,294**	**5,951,244**	**8,101,538**
TOTAL	**6,153,966**	**870**	**2,595,783**	**20,477,699**	**1,784,829**	**1,078,477**	**758,352**	**-**	**1,351,205**	**12,225,928**	**21,975,253**	**34,201,181**

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

1- Contingent and Non-Contingent Receivables from Central Governments or Central Banks
2- Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises
3- Contingent and Non-Contingent Receivables from Banks and Intermediaries
4- Contingent and Non-Contingent Corporate Receivables
5- Contingent and Non-Contingent Retail Receivables
6- Contingent and Non-Contingent Receivables Secured by Residential Property
7- Non-Performing Receivables
8- Receivables identified as high risk by the Board
9- Other

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

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

II. Explanations on Credit Risk (Continued)

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

Risk classifications	Term To Maturity (*)				
	1 Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	1,244,698	-	-	-	4,909,268
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	598	-	-	-	272
Contingent and Non-Contingent Receivables from Banks and Intermediaries	1,295,594	91,258	18,234	39,923	1,150,774
Contingent and Non-Contingent Corporate	1,874,717	2,081,589	2,941,263	3,863,959	9,716,171
Contingent and Non-Contingent Retail Receivables	88,479	113,964	198,381	335,600	1,048,405
Contingent and Non-Contingent Receivables Secured by Residential Property	30,908	27,887	70,129	109,670	839,883
Non-Performing Receivables	-	-	-	-	758,352
Receivables Identified as High Risk by the Board	-	-	-	-	-
Other Receivables	-	-	-	-	-
TOTAL	**4,534,994**	**2,314,698**	**3,228,007**	**4,349,152**	**18,423,125**

(*) Risk amounting to TL 1,351,205 without maturity, is not taken into consideration in the table above.

j. Exposures by risk weights:

	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	Other	Deductions from Equity
1	Amount before Credit Risk Mitigation	3,996,049	-	719,533	357,573	7,206,920	1,520,549	20,301,100	99,456	-	-	1,396
2	Amount after Credit Risk Mitigation	3,996,052	-	719,532	354,567	7,198,094	1,457,823	20,132,792	99,344	-	-	1,396

k Information of major sectors or type of counterparties

		Loans			
	Major Sectors / Counterparties	Impaired Loans	Past Due Loans	Value Adjustments	Provisions
1	**Agriculture**	**4,745**	**18,765**	**328**	**14,173**
1.1	Farming and Stockbreeding	2,419	13,324	318	8,732
1.2	Forestry	1,227	1	10	1
1.3	Fishery	1,099	5,440	-	5,440
2	**Manufacturing**	**619,971**	**194,642**	**27,527**	**99,033**
2.1	Mining and Quarrying	31,626	15,718	6,303	6,923
2.2	Production	577,132	154,094	20,529	91,351
2.3	Electricity, Gas and Water	11,213	24,830	695	759
3	**Construction**	**1,124,853**	**598,142**	**74,989**	**69,351**
4	**Services**	**1,296,498**	**196,979**	**121,569**	**95,531**
4.1	Wholesale and Retail Trade	671,777	134,557	85,667	66,568
4.2	Accommodation and Dining	72,808	2,845	3,622	2,011
4.3	Transportation and Telecom	88,209	32,455	3,122	15,652
4.4	Financial Institutions	988	25	43	25
4.5	Real Estate and Rental Services	250,546	11,804	5,165	5,211
4.6	Professional Services	153,041	11,139	23,249	5,957
4.7	Educational Services	-	47	-	47
4.8	Health and Social Services	59,129	4,107	701	60
5	**Other**	**17,389**	**12,276**	**208**	**7,976**
	Total	**3,063,456**	**1,020,804**	**224,621**	**286,064**

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

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

II. Explanations on Credit Risk (Continued)

10. Information Related with Value Adjustments and Change in Provisions:

		Opening Balance	Charge of the Period	Provision Cancelations	Value Adjustments	Closing Balance
1	Specific Provisions	515,707	198,950	(428,593)	-	286,064
2	General Provisions	515,956	275,176	(480,979)	-	310,153

In December, Group deducted non-performing loans notional amount and its provisions within the scope of the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette on 27 November 2019.

III. Explanations on Currency Risk

The difference between the Parent 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).

The Parent Bank keeps the amount at currency risk within the legal limits and monitors the foreign currency positions daily/momentarily. Even though the Parent Bank's determined foreign currency limit is minimal compared to the legal limit, the positions throughout the year did not exceed the limits. Term option contracts such as swap and forward are used for hedging the currency risk. Stress tests are performed to mitigate the fluctuations of the exchange rates.

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:

Rate used:	**USD**	**EUR**
31.12.2019	5.9400	6.6621
30.12.2019	5.9402	6.6506
29.12.2019	5.9370	6.6117
28.12.2019	5.9370	6.6117
27.12.2019	5.9370	6.6117

The Parent Bank's foreign currency bid rates for the reporting date and average of 30 days before the reporting day is as follows:

USD: TL 5.8389

EUR: TL 6.4868

As of 31 December 2019;	**USD**	**EUR**
Rate Used:	TL 5.9400	TL 6.6621

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

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

III. Explanations on Currency Risk (Continued)

a. 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:

	Euro	Usd	Other FC	Total
31 December 2019				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	220,256	2,270,616	46,725	2,537,597
Banks	84,237	964,428	69,708	1,118,373
Financial Assets at Fair Value Through Profit and Loss (*)	2,539	27,346	3	29,888
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans (**)	7,283,715	3,132,971	-	10,416,686
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial Assets Measured at Amortised Cost	-	3,442,674	-	3,442,674
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (***)	91,531	135,815	-	227,346
Total Assets	**7,682,278**	**9,973,850**	**116,436**	**17,772,564**
Liabilities				
Bank Deposits	40	17,351	513	17,904
Foreign Currency Deposits	1,645,896	6,777,026	99,163	8,522,085
Money Market Funds	-	91,938	-	91,938
Funds Borrowed From Other Financial Institutions	2,378,910	7,198,794	-	9,577,704
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	47,981	102,488	692	151,161
Derivative Financial Liabilities For Hedging Purposes	-	-	-	-
Other Liabilities (****)	14,460	33,815	-	48,275
Total Liabilities	**4,087,287**	**14,221,412**	**100,368**	**18,409,067**
Net Balance Sheet Position	**3,594,991**	**(4,247,562)**	**16,068**	**(636,503)**
Net Off Balance Sheet Position	**(3,594,308)**	**4,795,975**	**(15,180)**	**1,186,487**
Financial Derivative Assets	2,498,324	6,541,627	156,229	9,196,180
Financial Derivative Liabilities	6,092,632	1,745,652	171,409	8,009,693
Non-Cash Loans (*****)	1,790,628	2,179,548	377,094	4,347,270
31 December 2018				
Total Assets	7,108,820	9,124,289	55,425	16,288,534
Total Liabilities	2,978,325	12,859,641	77,948	15,915,914
Net Balance Sheet Position	**4,130,495**	**(3,735,352)**	**(22,523)**	**372,620**
Net Off balance Sheet Position	**(4,136,607)**	**4,160,552**	**24,738**	**48,683**
Financial Derivative Assets	1,536,998	6,594,751	71,336	8,203,085
Financial Derivative Liabilities	5,673,605	2,434,199	46,598	8,154,402
Non-Cash Loans (*****)	**1,753,692**	**1,589,830**	**90,456**	**3,433,978**

(*) Accruals of derivative assets held for trading amounting to TL 27,771 (31 December 2018: TL 15,406) have been deducted from fair value through profit and loss.
(**) FC indexed loans and accruals amounting to TL 371,889 (31 December 2018: TL 938,877).
(***) There are no accruals of spot transaction (31 December 2018: 153).
(****) Accruals of derivative liabilities held for trading amounting to TL 43,515 (31 December 2018: TL 40,378) have been deducted from other liabilities. (31 December 2018: TL 30 other provisions have been deducted from other liabilities)
(*****) No effect on net off-balance sheet position.

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

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

III. Explanations on Currency Risk (Continued)

b. Sensitivity to Foreign Exchange Risk

The following table details the Bank's sensitivity (excluded tax effects) to a 10% increase and decrease in USD and EUR and other currencies to profit or loss and equity at 31 December 2019 and 2018.

The effect of 10 percent depreciation of TL against the following currencies in the financial statements for the years ended 31 December 2019 and 31 December 2018 is shown in the table below:

At this analysis based that other variables particularly interests rates are assumed to be unchanged.

	31 December 2019		31 December 2018	
	Effect on Profit or (Loss)	**Effect on Equity**	**Effect on Profit or (Loss)**	**Effect on Equity**
USD	54,841	54,841	42,520	42,520
EUR	68	68	(611)	(611)
Other currency	89	89	222	222
Total, Net	**54,998**	**54,998**	**42,131**	**42,131**

The effect of 10 percent appreciation of TL against the following currencies in the financial statements for the years ended 31 December 2019 and 31 December 2018 is shown in the table below:

	31 December 2019		31 December 2018	
	Effect on Profit or (Loss)	**Effect on Equity**	**Effect on Profit or (Loss)**	**Effect on Equity**
USD	(54,841)	(54,841)	(42,520)	(42,520)
EUR	(68)	(68)	611	611
Other currency	(89)	(89)	(222)	(222)
Total, Net	**(54,998)**	**(54,998)**	**(42,131)**	**(42,131)**

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

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

IV. Explanations on Interest Rate Risk

Assets, liabilities and off-balance sheet items' interest rate sensitivity are measured.

The expected impact on the financial position and on the cash flow of the Group due to the fluctuations in the market interest rates are being followed within the framework of Asset-Liability management principles and also interest rate risk limits restricted on balance sheet by the Board of Directors. These limits also impose restriction to indirect profit centers can carry on maturity mismatches.

The Group has not encountered to any significant interest rate risk in the last period.

Average interest rates applied to monetary financial instruments reflect market rates.

a. Interest Rate Sensitivity Of Assets, Liabilities And Off-Balance Sheet Items (Based On Re-Pricing Dates)

31 December 2019	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Non-Interest Bearing**	**Total**
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	2,425,375	-	-	-	-	261,049	2,686,424
Banks (****)	605,264	10,000	-	-	-	523,210	1,138,474
Financial Assets at Fair Value Through Profit and Loss	20,329	46,696	27,086	29,730	71,897	6,561	202,299
Money Market Placements	1,912,595	-	-	-	-	-	1,912,595
Financial Assets at Fair Value Through Other Comprehensive Income (****)	89,479	7,205	130,150	1,142	-	8,420	236,396
Loans (****) (*****)	3,972,092	1,619,509	6,132,832	5,428,848	1,098,557	441,814	18,693,652
Financial Assets Measured at Amortised Cost (****)	-	2,144,021	1,588,473	-	-	(531)	3,731,963
Other Assets (*)	26,110	-	-	-	-	1,460,274	1,486,384
Total Assets	**9,051,244**	**3,827,431**	**7,878,541**	**5,459,720**	**1,170,454**	**2,700,797**	**30,088,187**
Liabilities							
Bank Deposits (***)	144,470	-	-	-	-	2,579	147,049
Other Deposits	11,298,714	2,719,525	524,539	19,745	-	1,269,142	15,831,665
Money Market Funds	93,595	-	-	-	-	-	93,595
Miscellaneous Payables	408	-	-	-	-	352,614	353,022
Marketable Securities Issued	234,905	486,125	-	50,592	-	-	771,622
Funds Borrowed From Other Financial Institutions	1,646,796	2,576,121	3,858,673	4,578	1,799,079	-	9,885,247
Other Liabilities and Shareholders' Equity (**)	64,221	34,885	42,146	31,769	72,342	2,760,624	3,005,987
Total Liabilities	**13,483,109**	**5,816,656**	**4,425,358**	**106,684**	**1,871,421**	**4,384,959**	**30,088,187**
Balance Sheet Long Position	**-**	**-**	**3,453,183**	**5,353,036**	**-**	**-**	**8,806,219**
Balance Sheet Short Position	**(4,431,865)**	**(1,989,225)**	**-**	**-**	**(700,967)**	**(1,684,162)**	**(8,806,219)**
Off-Balance Sheet Long Position	6,124	170,102	(154,839)	180,072	-	-	201,459
Off-Balance Sheet Short Position	-	-	(6,441)	-	-	-	(6,441)
Total Position	**(4,425,741)**	**(1,819,123)**	**3,291,903**	**5,533,108**	**(700,967)**	**(1,684,162)**	**195,018**

(*) Property and equipment held for sale purpose and related to discontinued operations, investments in associates and subsidiaries, tangible and intangible fixed assets, deferred tax assets and other assets are classified as non-interest bearing assets.

(**) Taxes payable, charges, duties and premiums, provisions and shareholders' equity are classified as non-interest bearing liabilities.

(***) Precious metal bank account is presented under Bank Deposits.

(****) Expected loss provision for financial assets is presented non-interest bearing on the table. Amounted to TL 326 were deducted from non-interest banks, amounted to TL 531 were deducted from non-interest financial assets measured at amortised.

(*****) Receivables from leasing transactions are included.

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

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

IV. Explanations on Interest Rate Risk (Continued)

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on re-pricing dates) (Continued)

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 Turkey	1,801,048	-	-	-	-	411,003	2,212,051
Banks (****)	739,103	-	-	-	-	65,938	805,041
Financial Assets at Fair Value Through Profit and Loss	34,428	72,999	18,547	99,372	61	11,253	236,660
Money Market Placements	630,439	-	-	-	-	-	630,439
Financial Assets at Fair Value Through Other Comprehensive Income	-	2,486	-	-	-	5,658	8,144
Loans (*****)	3,992,533	2,046,364	4,836,310	5,790,922	733,235	(174,619)	17,224,745
Financial Assets Measured at Amortised Cost (****)	-	1,955,046	1,472,014	-	-	(436)	3,426,624
Other Assets (*)	6,297	255	170	-	-	1,304,018	1,310,740
Total Assets	**7,203,848**	**4,077,150**	**6,327,041**	**5,890,294**	**733,296**	**1,622,815**	**25,854,444**
Liabilities							
Bank Deposits (***)	149,343	-	-	-	-	1,979	151,322
Other Deposits	8,759,965	3,469,174	516,447	67	-	719,776	13,465,429
Money Market Funds	432,750	254,778	-	-	-	-	687,528
Miscellaneous Payables	1,566	-	-	-	-	412,220	413,786
Marketable Securities Issued	238,182	320,167	1,338,284	-	-	-	1,896,633
Funds Borrowed From Other Financial Institutions	525,374	2,488,796	3,564,966	155,045	-	-	6,734,181
Other Liabilities and Shareholders' Equity (**)	22,635	30,570	311,069	103,663	61	2,037,567	2,505,565
Total Liabilities	**10,129,815**	**6,563,485**	**5,730,766**	**258,775**	**61**	**3,171,542**	**25,854,444**
Balance Sheet Long Position	**-**	**-**	**596,275**	**5,631,519**	**733,235**	**-**	**6,961,029**
Balance Sheet Short Position	**(2,925,967)**	**(2,486,335)**	**-**	**-**	**-**	**(1,548,727)**	**(6,961,029)**
Off-Balance Sheet Long Position	28,546	220,652	68,615	2	-	-	317,815
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	**(2,897,421)**	**(2,265,683)**	**664,890**	**5,631,521**	**733,235**	**(1,548,727)**	**317,815**

(*) Property and equipment held for sale purpose and related to discontinued operations, investments in associates and subsidiaries, tangible and intangible fixed assets, miscellaneous receivables, deferred tax assets and other assets are classified as non-interest bearing assets.

(**) Taxes payable, charges, duties and premiums, provisions and shareholders' equity are classified as non-interest bearing liabilities.

(***) Precious metal bank account is presented under Bank Deposits.

(****) Expected loss provision for financial assets is presented non-interest bearing on the table. Amounted to TL 293 were deducted from non-interest banks, amounted to TL 436 were deducted from non-interest financial assets measured at amortised.

(*****) Receivables from leasing transactions are included.

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

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

IV. Explanations on Interest Rate Risk (Continued)

b. Average interest rates applied to monetary financial instruments

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

31 December 2019 (*)	**Euro**	**Usd**	**Yen**	**TL**
Assets	**(%)**	**(%)**	**(%)**	**(%)**
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	10.00
Banks	-	1.55	-	10.75
Financial Assets at Fair Value Through Profit and Loss	-	-	-	11.60
Money Market Placements	-	-	-	11.30
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	7.63
Loans and Receivables	4.23	6.06	-	16.88
Financial Assets Measured at Amortised Cost	-	4.65	-	18.15
Liabilities				
Bank Deposits (**)	-	2.24	0.20	11.04
Other Deposits (**)	0.26	2.41	1.04	10.97
Money Market Funds	-	2.80	-	9.50
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	12.19
Funds Borrowed From Other Financial Institutions	1.92	5.24	-	12.52

(*) Represents Parent Bank's average interest rates.
(**) Demand deposit amounts are included.

31 December 2018 (*)	**Euro**	**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
Banks	-	6.29	-	23.68
Financial Assets at Fair Value Through Profit and Loss	-	5.16	-	16.64
Money Market Placements	-	-	-	25.40
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	13.11
Loans and Receivables	5.18	7.47	-	23.71
Financial Assets Measured at Amortised Cost	-	4.59	-	15.77
Liabilities				
Bank Deposits (**)	-	1.84	0.15	22.07
Other Deposits (**)	1.61	5.01	2.40	22.70
Money Market Funds	-	0.55	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	3.12	-	24.82
Funds Borrowed From Other Financial Institutions	2.22	5.93		12.83

(*) Represents Parent Bank's average interest rates.
(**) Amount of demand deposits are included.

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

INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGAMENT OF THE GROUP (Continued)

IV. Explanations on Interest Rate Risk (Continued)

c. Interest rate risk arising from banking accounts

Interest rate risk resulting from banking accounts are evaluated in the framework of re-pricing risk, yield curve risk, base risk and option risk and interest rate risk resulting from banking accounts being managed with the international standards and with hedging transactions and limits the risk reduction.

The sensitivity of assets, liabilities and off-balance sheet items are evaluated in the Assets-Liabilities committee meetings with the developments in the market. Interest rate risk assessment process arising from banking accounts will be included interest rate position that determined as banking account by the Bank. Besides this process has been created and conducted in reference to related re-pricing and maturity data.

Due to the maturity mismatch in the balance sheet, monitoring interest rate risk exposure within the scope of duration gap, maturity gap and sensitivity analysis are used. Duration gap, maturity gap and sensitivity analysis are calculated on a two week periods to the Assets-Liabilities Committee.

In the analysis, the fair values are calculated from interest sensitive assets and liabilities at fixed interest rates through cash flow, in the variable interest rates based on the re-pricing term market interest rates, using yield curves. The terms of the demand products is settled on basing of the frequency of interest rate determination and customer behavior. These results are supported periodically by the sensitivity and scenario analysis performed to assess the effect of the market fluctuations may occur.

Interest rate risk resulting from the banking accounts is measured 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 and legal limits based on these measurements are monitored and reported on a monthly basis.

Interest rate risk related to interest-sensitive financial instruments classified in trading portfolio is assessed within the scope of the market risk.

Branches and line of businesses, being free from the market risk, the management of market risk depends on Fund Management Group Asset and Liability Management Department (ALM) is transferred by transfer pricing system and market risk management are realized by this section centrically. ALM, in the market risk management; uses balance sheet (long-term debt) and off-balance sheet (derivatives) instruments.

31 December 2019	**Applied Shock (+/- x basis point)**	**Gains/ Losses**	**Gains/ Equity-Losses/ Equity**
	+500bps	(212,524)	(4.63%)
1.TRY	-400 bps	193,399	4.21%
	+200 bps	(64,845)	(1.41%)
2.EURO	-200 bps	71,465	1.56%
	+200 bps	(103,579)	(2.26%)
3.USD	-200 bps	120,121	2.62%
Total (For Negative Shocks)		**384,985**	**8.38%**
Total (For Positive Shocks)		**(380,948)**	**(8.30%)**

31 December 2018	**Applied Shock (+/- x basis point)**	**Gains/ Losses**	**Gains/ Equity-Losses/ Equity**
	+500bps	(111,147)	(2.95%)
1.TRY	-400 bps	99,527	2.64%
	+200 bps	(69,062)	(1.83%)
2.EURO	-200 bps	78,031	2.07%
	+200 bps	(78,503)	(2.08%)
3.USD	-200 bps	94,187	2.50%
Total (For Negative Shocks)		**271,745**	**7.22%**
Total (For Positive Shocks)		**(258,712)**	**(6.87%)**

(*) Amounts represents Parent Bank.

INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGAMENT OF THE GROUP (Continued)

V. Explanation on share certificates

None.

I. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio

There is a liquidity limit approved and monitored on a weekly basis by the Parent Bank Risk Committee. This limit is used by the Assets-Liability Management Committee for deciding to funding sources composition and pricing policy.

Maturity and interest rate mismatches impact on profitability and capital is measured using scenario analysis.

The Parent Bank's most important source of liquidity is deposits denominated in TL and foreign exchange deposit accounts. In addition, there are also borrowing opportunities available from Borsa İstanbul repo market, Takas Bank and Interbank market.

In accordance with the framework of BRSA's "Regulation on calculation of Bank's liquidity coverage ratio", published in Official Gazette no. 28948 as of 2019, dated 21 March 2014, as of 2019 the deposit banks are subject to set 100% and 80% liquidity ratios for Foreign Currency accordingly. The liquidity ratio is calculated by dividing the high quality liquid assets by net cash outflows.

1.a. Information on liquidity risk management regarding how to provide communication with the Board of Directors and lines of business for risk capacity of the Parent Bank, liquidity risk, responsibility and structure of management, reporting of Parent Bank's liquidity risk, liquidity risk strategy, policies and practices.

Liquidity risk management aims to take necessary measures in a timely manner and correct way with respect to potential liquidity shortage caused by cash flow mismatches of Parent Bank's balance sheet structure and/or market conditions. It is on ground of the meeting the liquidity needs cash and disposable borrowing resources at specified level and time of held deposits and other liabilities creating liquidity. The Parent Bank monitors liquidity position both in terms of foreign currency and total liquidity basis.

According to the liquidity risk management about the liquidity position, necessary guidance to the line of businesses and pricing are performed by the Asset and Liability Management Department by taking into account the cash flow of the Parent Bank with maturities. Liquidity risk informations are reported regularly to the such Asset and Liability Committee and Management Risk Committees. The liquidity risk parameters determined within the frame of liquidity risk parameters are monitored and reported to the business units by Risk Management consistently. The actions need to be taken in conditions such as convergence and excess of limits are decided by Asset-Liability Committee.

1.b. Information on the centralization degree of liquidity management and funding strategy and the operation between the Bank and the Parent Bank's shareholders:

The responsibility of liquidity risk management in accordance with the risk appetite determined by the Board of Directors belongs to the Treasury Asset-Liability Management Department. Risk Management Department is responsible for determining the level of bank-wide liquidity risk and its measurement, monitoring and reporting. Liquidity management and funding strategies of Parent Bank and its shareholders are determined by Parent Bank's Asset and Liability Management Committees and monitored by the Treasury Department.

1.c. Information on the Bank's funding strategy including policies on diversity of fund terms and resources

For the Bank's effective, correct and sustainable liquidity risk management, it is provided to be followed by the relevant committees with the approval of Liquidity Management Policy Board. The Parent Bank's core funding source has been targeted as a deposit. Non-deposit funding sources are used to provide a variety of core sources and maturities. These resources are mainly syndicated loans, subordinated loans and bond issuances. Despite term of deposits are determined by market conditions and generally on short term basis, it is aimed to collect the deposits of customers who have high stickiness to the Parent Bank. Non-deposit sources also preferred because they are more long-term resources.

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

VI.. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

1.d. Information on liquidity management on the basis of currencies constitute the minimum five percentage of the Parent Bank's total liabilities

Turkish Lira, US Dollars and Euros are the currencies that constitute the minimum five per cent of the Parent Bank's liabilities. It is intended to have effective foreign currency and liquidity risk management analysing these currencies on foreign exchange and total liquidity management basis. Liquidity gap analysis are measured and managed with the same way. Deposits and other long term sources should be preferred, performing liquidity management on currency basis, in order to avoid the increase of market risk fluctuations on foreign currency positions.

1.e. Information on current liquidity risk mitigation techniques

Liquid assets as defined under Basel III are held with the intention of liquidity risk management managing the Parent Bank’s liquidity risk. Market liquidity and maturity of liquid assets are considered as risk reduction for liquidity management. In this context, the range of liquid assets is important in the management of liquidity risk. Potential risks are minimized by avoiding concentration of liquid assets during the potential liquidity needs and the Parent Bank’s ability to fulfill its obligations.

1.f. Information on the use of stress testing

Within legal framework stress tests on the basis of the liquidity risk are performed at the beginning of the each year. The test results are presented with the details of the stress test and ICAAP report annually. The Board of Directors approve the stress test results and they are shared with the BRSA during the process. In addition to these stress tests, cash flow and liquidity position analyzes are maintained according to the Parent Bank's internal needs. In addition, the liquidity risk stress tests are conducted regularly on a monthly basis and reported to the senior management together with the results.

1.g. General information about the emergency and contingency liquidity plan

Information on emergency and contingency liquidity plan is detailed in the Parent Bank "Emergency Funding Plan Policy". Definitions regarding the liquidity crisis and actions that the Parent Bank may take against a liquidity crisis that may occur in the market are implemented the action plan outlined. The Parent Bank's special liquidity crisis levels set out in alarm conditions and the parameters to be monitored as an indicator are detailed. Crisis Committee members and the Committee's duties and responsibilities are determined for the Parent Bank’s stress scenarios specific to the market and the Parent Bank.

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

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

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

2. Liquidity Coverage Ratio

The Bank’s calculated liquidity coverage ratios are presented as below pursuant to “Measurement and Assessment of the Liquidity Coverage Ratios of Banks” published in the Official Gazette on 21 March 2014 and numbered 28948. The highest and lowest values of the average of last three months consolidated foreign currency and total liquidity coverage ratios are as follows:

	Consideration Ratio Unapplied to Total Value (*)		Consideration Ratio Applied to Total Value (*)	
31 December 2019	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			6,475,085	4,183,664
CASH OUTFLOWS				
Retail and Small Business Customers	7,894,376	3,908,206	721,300	390,821
Stable Deposits	1,362,748	-	68,137	-
Less Stable Deposit	6,531,628	3,908,206	653,163	390,821
Unsecured Wholesale Funding	9,026,304	5,838,908	5,476,252	3,429,172
Operational Deposits	-	-	-	-
Non-operational Deposits	6,535,758	4,096,008	3,042,732	1,736,379
Other Unsecured Fundings	2,490,546	1,742,900	2,433,520	1,692,793
Secured Funding			-	-
Other Cash Outflows	559,593	559,807	559,593	559,807
Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	559,593	559,807	559,593	559,807
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	-	-	-	-
Other revocable off-balance sheet commitments and contractual obligations	16,717	16,717	836	836
Other irrevocable or conditionally revocable off-balance sheet obligations	5,828,248	3,663,993	903,709	367,600
TOTAL CASH OUTFLOWS			**7,661,690**	**4,748,236**
Secured lending	1,680,302	21,746	-	-
Unsecured lending	4,268,303	3,130,020	3,599,004	2,798,178
Other cash inflows	237,755	233,751	237,755	233,751
TOTAL CASH INFLOWS	**6,186,360**	**3,385,517**	**3,836,759**	**3,031,929**
TOTAL HIGH QUALITY ASSETS STOCKS			**6,475,085**	**4,183,664**
TOTAL CAH OUTFLOWS			**3,824,931**	**1,716,307**
LIQUIDITY COVERAGE RATIO (%)			**169.70%**	**244.04%**

(*) The average of the last three months liquidity coverage ratio calculated by monthly and weekly with simple average method.

The lowest, highest and average Liquidity Coverage Ratios in 2019 are given in the table below.

31 December 2019	**Highest**	**Date**	**Lowest**	**Date**	**Average**
TL+FC	179.50%	31.10.2019	%160.90	30.11.2019	169.70%
FC	248.37%	31.10.2019	%235.85	31.12.2019	244.04%

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

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

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

2. Liquidity Coverage Ratio (Continued)

	Consideration Ratio Unapplied to Total Value (*)		Consideration Ratio Applied to Total Value (*)	
31 December 2018	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			4,204,264	2,908,061
CASH OUTFLOWS				
Retail and Small Business Customers	6,599,541	2,208,440	620,416	220,936
Stable Deposits	794,653	-	39,733	-
Less Stable Deposit	5,804,888	2,208,440	580,683	220,936
Unsecured Wholesale Funding	7,795,941	5,245,497	4,782,627	2,880,206
Operational Deposits	-	-	-	-
Non-operational Deposits	6,132,160	4,314,385	3,135,478	1,965,621
Other Unsecured Fundings	1,663,781	931,112	1,647,149	914,585
Secured Funding			14,540	14,540
Other Cash Outflows	162,308	5,637	162,308	5,637
Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	162,308	5,637	162,308	5,637
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	-	-	-	-
Other revocable off-balance sheet commitments and contractual obligations	5,211,548	3,192,558	960,279	383,405
Other irrevocable or conditionally revocable off-balance sheet obligations	55,743	55,743	2,787	2,787
TOTAL CASH OUTFLOWS			**6,542,957**	**3,507,511**
Secured lending	770,815	106,518	-	-
Unsecured lending	3,639,694	1,932,971	2,906,449	1,725,735
Other cash inflows	51,814	42,214	51,814	42,214
TOTAL CASH INFLOWS	**4,462,323**	**2,081,703**	**2,958,263**	**1,767,949**
TOTAL HIGH QUALITY ASSETS STOCKS			**4,204,264**	**2,908,061**
TOTAL CAH OUTFLOWS			**3,584,694**	**1,739,562**
LIQUIDITY COVERAGE RATIO (%)			**117.70%**	**168.59%**

(*) The average of the last three months liquidity coverage ratio calculated by monthly and weekly with simple average method.

The lowest, highest and average Liquidity Coverage Ratios in 2018 are given in the table below.

31 December 2018	**Highest**	**Date**	**Lowest**	**Date**	**Average**
TL+FC	130.56%	28.12.2018	%109.35	30.11.2018	117.70%
FC	186.56%	19.10.2018	%125.75	23.11.2018	168.59%

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

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

3. Banks explanations as a minimum regarding the liquidity ratio:

3.a Important factors affected by the results of Liquidity Coverage Ratio and the change of the items taken into account in the ratio calculation over time.

Despite all components have significant role, bond and reverse repurchase amounts cash outflows/unsecured debts of due to banks line, cash outflows/irrevocable commitments or revocable contingent commitments of off balance sheet liabilities, cash inflows/unsecured receivables of due from financial institutions are high volatile assets. Related items have an effective role on variability of ratio.

3.b Explanations on the components of high-quality liquid assets:

High-quality assets is generated by cash balances and Central Bank and issued debt securities by those with 0% risk weightings of credit quality level risk. The changes in the reverse repo balance at the period effects high-quality asset stock value.

3.c Funding source components and the intensity of them in all funds

Basically deposits, loans and subordinated loans as unsecured debt items have the most significant portion in Parent Bank's funding balances. As of 31 December 2019, the proportion of total liabilities to all deposits of the bank is 56% and borrowings constitutes 23% portion whereas subordinate debt is 8%. Secured borrowings such as repo transactions has lower portion (2%).

In addition, as of 31 December 2019 as a funding item, the Parent Bank has TL 771,622 issued securities (31 December 2018: TL 1,896,633).

3.d Information about the outflows arising from derivative transactions and the possible completing collateral transactions

Cash outflows arising from derivative product balances are occurred when the derivative products liabilities are higher than the receivables. As of 31 December 2019, derivative net assets amounts to TL 226,899. In addition, cash outflows balances are reported with calculation against the change of derivatives fair value. This calculation is performed by checking the output margin within last 24 months of the counterparty balance. The maximum value in the past 24 months is considered as cash outflow as of reporting date. In this context, according to calculations as of 31 December 2019, the liability balance is computed as TL 727,847 in case of a change in fair value of derivatives products (31 December 2018: TL 524,225).

3.e Counterparty and fund resources on the basis of products and concentration limits on collaterals

As of 31 December 2019, approximately 55,7% of time deposit cap arised from retail banking. The remaining time deposits are constituted from legal entities. Another significant funding resource of borrowings generated from foreign banks (85%). As of 31 December 2019, 24% of the subordinated loans which are subject to capital adequacy calculations provided from The Commercial Bank (P.S.Q.C.). In addition, the Bank has securities issued amounting to TL 771,622 (31 December 2018: USD 250 million and TL 351,275).

3.f The liquidity risk for the potential funding needs for the bank itself , the branches in foreign countries and its consolidated partnerships with considering the operational and legal factors inhibiting the liquidity transfer

In the current position of the Bank and its consolidated subsidiaries, there are no such risks drawing attention.

3.g The information about the other cash inflows and outflows located in the liquidity leverage ratio calculation but not located in the second paragraph of disclosure template and considered as related with liquidity profile

In this context, there is no excluded cash inflow and outflow in statements on the current situation.

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

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

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

Breakdown of assets and liabilities according to their outstanding maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Unclassified	Total
31 December 2019								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	261,049	2,425,375	-	-	-	-	-	2,686,424
Due From Banks(*****)	523,539	605,264	10,000	-	-	-	(329)	1,138,474
Financial Assets at Fair Value Through Profit and Loss	6,561	20,326	41,520	27,088	34,901	71,903	-	202,299
Money Market Placements	-	1,912,595	-	-	-	-	-	1,912,595
Financial Assets at Fair Value Through Other Comprehensive Income (	-	499	2,550	-	184,252	40,675	8,420	236,396
Loans(*****)	-	1,766,266	1,939,042	5,469,556	6,849,801	2,244,400	424,587	18,693,652
Financial Assets Measured at Amortised Cost (****)	-	-	213,947	90,431	2,086,235	1,341,881	(531)	3,731,963
Other Assets (*)	1,069	112,081	52,993	16,287	19,031	9,373	1,275,550	1,486,384
Total Assets	**792,218**	**6,842,406**	**2,260,052**	**5,603,362**	**9,174,220**	**3,708,232**	**1,707,697**	**30,088,187**
Liabilities								
Bank Deposits (***)	2,579	144,470	-	-	-	-	-	147,049
Other Deposits	1,269,142	11,298,714	2,719,525	524,539	19,745	-	-	15,831,665
Funds Borrowed From Other Financial Institutions	-	375,658	851,727	4,682,617	1,879,102	2,096,143	-	9,885,247
Money Market Funds	-	93,595	-	-	-	-	-	93,595
Marketable Securities Issued	-	234,905	486,125	-	50,592	-	-	771,622
Miscellaneous Payables	-	410	-	-	-	-	352,614	353,024
Other Liabilities (**)	269,152	227,434	34,885	42,145	31,769	72,343	2,328,257	3,005,985
Total Liabilities	**1,540,873**	**12,375,186**	**4,092,262**	**5,249,301**	**1,981,208**	**2,168,486**	**2,680,871**	**30,088,187**
Liquidity Gap	**(748,655)**	**(5,532,780)**	**(1,832,210)**	**354,061**	**7,193,012**	**1,539,746**	**(973,174)**	**-**
31 December 2018								
Total Assets	489,670	10,272,619	503,928	1,977,550	8,649,688	3,050,876	910,113	25,854,444
Total Liabilities	1,013,778	10,422,582	5,029,789	3,725,168	1,862,105	1,863,712	1,937,310	25,854,444
Liquidity Gap	**(524,108)**	**(149,963)**	**(4,525,861)**	**(1,747,618)**	**6,787,583**	**1,187,164**	**(1,027,197)**	**-**

(*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term such as property and equipment held for sale purpose and related to discontinued operations fixed and intangible assets, stationary stocks, prepaid expenses and loans under follow-up, are classified in this column.

(**) Shareholders' equity is presented under "Other liabilities" item in the "Unclassified" column. The subordinated loan amounting to TL 264,195 is presented in the "Demand" column.

(***) Precious Metal bank account is presented under Bank Deposits.

(****) Expected loss provision for financial assets is presented non-interest bearing on the table. Amounted to TL 326 were deducted from non-interest banks, amounted to TL 531 were deducted from non-interest financial assets measured at amortised.

(*****) Receivables from leasing transactions are included.

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

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

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

Financial liabilities according to their remaining maturities:

The table below shows the Bank's maturity distribution of certain financial liabilities other than derivatives. The tables below are prepared by considering the future cash flows expected on the earliest cash flow dates. The total interest that will be paid for these liabilities is included in the table below.

31 December 2019	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Liabilities						
Bank Deposits	147,392	-	-	-	-	147,392
Other Deposits	12,593,302	2,738,416	536,361	22,194	-	15,890,272
Funds Borrowed From Other Financial Institutions	391,490	873,467	5,106,200	4,024,687	810,101	11,205,945
Money Market Funds	95,132	-	-	-	-	95,132
Marketable Securities Issued	254,078	490,647	6,387	50,800	-	801,912
Total	**13,481,394**	**4,102,530**	**5,648,948**	**4,097,681**	**810,101**	**28,140,653**

31 December 2018	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Liabilities						
Bank Deposits	151,972	-	-	-	-	151,972
Other Deposits	9,517,520	3,561,562	561,226	80	-	13,640,388
Funds Borrowed From Other Financial Institutions	309,234	964,785	2,151,657	2,026,046	1,929,512	7,381,234
Money Market Funds	432,975	256,708	-	-	-	689,683
Marketable Securities Issued	284,550	342,311	1,340,775	-	-	1,967,636
Total	**10,696,251**	**5,125,366**	**4,053,658**	**2,026,126**	**1,929,512**	**23,830,913**

Contractual maturity analysis of the Group's derivative instruments:

	Up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
31 December 2019						
Net Paid						
Hedging Derivative Financial Instruments	-	-	600,000	260,000	-	860,000
Forward Foreign Exchange Transactions	544,584	391,570	15,580	18,239	-	969,973
Money and Interest Rate Swaps	4,836,877	6,741,273	1,830,221	4,439,099	2,800,166	20,647,636
Options	1,804,898	1,353,079	300,247	-	-	3,458,224
Other	-	14,140	-	1,013,908	-	1,028,048
Total	**7,186,359**	**8,500,062**	**2,746,048**	**5,731,246**	**2,800,166**	**26,963,881**

	Up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
31 December 2018						
Net Paid						
Hedging Derivative Financial Instruments	-	110,000	-	600,000	-	710,000
Forward Foreign Exchange Transactions	612,288	357,445	104,345	-	-	1,074,078
Money and Interest Rate Swaps	1,763,526	5,959,577	3,282,790	7,577,480	80,434	18,663,807
Options	1,328,043	638,459	249,861	-	-	2,216,363
Other	-	-	-	84,496	-	84,496
Total	**3,703,857**	**7,065,481**	**3,636,996**	**8,261,976**	**80,434**	**22,748,744**

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

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

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

Collaterals in terms of Risk Groups

	31 December 2019 Risk Groups	Amount	Financial Guarantees (*)	Other/ Physical Guarantees	Guarantees and Credit Derivatives
1	Contingent and Non-Contingent Receivables from Central Governments or Central Banks	6,153,966	-	-	-
2	Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	870	-	-	-
3	Contingent and Non-Contingent Receivables from Banks and Intermediaries	2,595,783	5	-	-
4	Contingent and Non-Contingent Corporate Receivables	20,477,699	190,824	-	-
5	Contingent and Non-Contingent Retail Receivables	1,784,829	82,364	-	-
6	Contingent and Non-Contingent Receivables Secured by Residential Property	1,078,477	12,031	-	-
7	Non-Performing Receivables	758,352	710	-	-
8	Other Receivables	1,351,205	-	-	-
	Total	**34,201,181**	**285,934**	**-**	**-**

(*) The financial guarantees are reported with deducting from the risk amounts before credit risk reduction and credit conversion.

	31 December 2018 Risk Groups	Amount	Financial Guarantees (*)	Other/ Physical Guarantees	Guarantees and Credit Derivatives
1	Contingent and Non-Contingent Receivables from Central Governments or Central Banks	5,226,559	-	-	-
2	Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	813	-	-	-
3	Contingent and Non-Contingent Receivables from Banks and Intermediaries	2,530,570	2,255	-	-
4	Contingent and Non-Contingent Corporate Receivables	18,038,382	533,207	-	-
5	Contingent and Non-Contingent Retail Receivables	2,347,309	59,119	-	-
6	Contingent and Non-Contingent Receivables Secured by Residential Property	1,214,865	15,701	-	-
7	Non-Performing Receivables	366,170	399	-	-
8	Other Receivables	1,130,352	-	-	-
	Total	**30,855,020**	**610,681**	**-**	**-**

(*) The financial guarantees are reported with deducting from the risk amounts before credit risk reduction and credit conversion.

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

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

VII. Explanations on Leverage Ratio

Comparison Summary Table of Total Risk and Total Assets Amounts in the Consolidated Financial Statements prepared in accordance with Turkish Accounting Standards.

		31 December 2019 (*)	31 December 2019 (*)
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards	29,431,112	26,532,146
2	The difference between total assets prepared in accordance with Turkish Accounting Standards (*) and total assets in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements"	-	-
3	The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	325,481	339,096
4	The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	-	-
5	The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	(860,003)	(1,182,925)
6	Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	9,569,146	8,268,105
7	**Total risk amount**	**38,465,736**	**33,956,422**

(*) Amounts in the table are three-month average amounts.

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

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

VII. Explanations on Leverage Ratio (Continued)

Comparison Summary Table of Total Risk and Total Assets Amounts in the Consolidated Financial Statements prepared in accordance with Turkish Accounting Standards (Continued)

Explanations about the aspects that cause the difference between the leverage ratios of current and prior years

The Group's leverage ratio is 6.66% calculated in compliance with "Regulation on Measurement and Evaluation of Leverage Levels of Banks' which was not consolidated. (31 December 2018: 5.66%). Regulation has been arrived at a decision of the minimum leverage ratio of 3%.

		31 December 2019 (*)	31 December 2018 (*)
	Assets in Balance Sheet		
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	29,431,112	26,532,147
2	Assets deducted in determining Tier 1 capital	(129,754)	(116,986)
3	**Total on-balance sheet risks (sum of lines 1 and 2) Derivative financial instruments and credit derivatives**	**29,301,358**	**26,415,161**
	Derivative financial instruments and credit derivatives		
4	Replacement cost associated with all derivative financial instruments and credit derivatives	202,958	250,119
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	325,481	339,096
6	**Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5Securities or commodity financing transactions (SCFT)**	**528,439**	**589,215**
	Securities or commodity financing transactions		
7	Risks from SCFT assets of off-balance sheet	-	-
8	Risks from brokerage activities related exposures	-	-
9	**Total risks related with securities or commodity financing transactions (sum of lines 7 to 8) Other off-balance sheet transactions**	**-**	**-**
	off-balance sheet transactions		
10	Gross notional amounts of off-balance sheet transactions	9,495,942	8,134,971
11	(Adjustments for conversion to credit equivalent amounts)	(860,003)	(1,182,925)
12	**Total risks of off-balance sheet items (sum of lines 10 and 11) Capital and total risks**	**8,635,939**	**6,952,046**
	Capital and Total Risk		
13	Tier 1 capital	2,561,114	1,918,271
14	**Total risks (sum of lines 3, 6, 9 and 12) Leverage ratio**	**38,465,736**	**33,956,422**
	Leverage ratio		
15	**Leverage ratio (%)**	**6.66%**	**5.66%**

(*) Amounts in the table are three-month average amounts.

VIII. Fair values of financial assets and liabilities

a. Fair value measurements of financial assets and liabilities

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 Parent 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 following table summarizes the carrying values and fair values of some financial assets and liabilities of the group.

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

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

VIII. Fair values of financial assets and liabilities (Continued)

a. Fair value measurements of financial assets and liabilities (Continued)

The following table summarizes the carrying value and fair value of financial assets and liabilities

	Carrying Value		Fair Value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial Assets	**25,712,798**	**20,473,896**	**25,215,044**	**19,915,531**
Money Market Placements	1,912,595	630,439	1,912,595	630,439
Banks	1,138,803	805,334	1,138,803	805,334
Financial Assets at Fair Value through Other Comprehensive Income	235,254	8,144	235,254	8,144
Financial Assets Measured at Amortised Cost	3,732,494	3,427,060	3,669,647	2,868,695
Loans and Receivables	18,693,652	15,602,919	18,258,744	15,602,919
Financial Liabilities	**27,082,202**	**23,348,879**	**25,045,515**	**23,690,755**
Bank Deposits	147,049	151,322	147,049	151,322
Other Deposits	15,831,665	13,465,429	14,401,941	13,784,081
Funds Borrowed from Other Financial Institutions	9,885,247	6,734,181	9,278,283	6,734,181
Marketable Securities Issued	771,622	1,896,633	771,622	1,919,857
Funds Provided Under Repurchase Agreements	93,595	687,528	93,595	687,528
Miscellaneous Payables	353,024	413,786	353,024	413,786

b. Classification of Fair Value

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

Aforesaid fair value hierarchy is determined as follows

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Unobservable inputs

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

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

VIII. Fair values of financial assets and liabilities (Continued)

b. Classification of Fair Value (Continued)

Fair value levels of financial assets and liabilities that are carried at fair value in financial statements are given below:

31 December 2019	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	**5,176**	**9,268**	**-**	**14,444**
Government Debt Securities	5,176	-	-	5,176
Share Certificates	-	-	-	-
Other Financial Assets	-	9,268	-	9,268
Financial Assets at Fair Value Through Other Comprehensive Income	**232,206**	**-**	**3,048**	**235,254**
Government Debt Securities	223,786	-	-	223,786
Share Certificates	8,420	-	-	8,420
Other Financial Assets	-	-	3,048	3,048
Loans at Fair Value Through Profit or Loss	-	-	-	-
Derivative Financial Assets at Fair Value Through Profit or Loss	**-**	**187,855**	**-**	**187,855**
Derivative Financial Assets at Fair Value Through Other Comprehensive Income	**-**	**1,142**	**-**	**1,142**
Total Assets	**237,382**	**198,265**	**3,048**	**438,695**
Derivative Financial Liabilities at Fair Value Through Profit or Loss	**-**	**179,920**	**-**	**179,920**
Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	**-**	**14,119**	**-**	**14,119**
Total Liabilities	**-**	**194,039**	**-**	**194,039**

(*)There are no transfers between the 1st and the 2nd levels in the current year.

31 December 2018	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	**3,272**	**38,776**	**-**	**42,048**
Government Debt Securities	3,272	-		3,272
Share Certificates	-	-	-	-
Other Financial Assets	-	38,776	-	38,776
Financial Assets at Fair Value Through Other Comprehensive Income	**5,658**	**2,486**	**-**	**8,144**
Government Debt Securities	-	-	-	-
Share Certificates	5,658	-	-	5,658
Other Financial Assets	-	2,486	-	2,486
Loans at Fair Value Through Profit or Loss	**-**	**6,709**	**-**	**6,709**
Derivative Financial Assets at Fair Value Through Profit or Loss	**-**	**194,612**	**-**	**194,612**
Total Assets	**8,930**	**242,583**	**-**	**251,513**
Derivative Financial Liabilities at Fair Value Through Profit or Loss	**-**	**174,120**	**-**	**174,120**
Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	**-**	**4,023**	**-**	**4,023**
Total Liabilities	**-**	**178,143**	**-**	**178,143**

(*)There are no transfers between the 1st and the 2nd levels in the previous year.

IX. Transactions carried out on behalf of customers and items held in trust

None (31 December 2018: None).

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

X. Explanations on the Risk Management

a. Risk Management and General Information on Risk Weighted Amount

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 the Communiqué these notes 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 31 December 2019:

- RWA flow statements of credit risk exposures under Internal Rating Based (IRB)

- RWA flow statements of CCR exposures under the Internal Model Method (IMM)

- RWA flow statements of market risk exposures under an Internal Model Approach (IMA)

1. The Bank's risk management approach

Bank`s risk management approach is defined as creating added value for shareholders, customers and employees in parallel with the Bank general business strategy by increasing the efficiency of Bank activities within the framework of risk-return relationship in accordance with the best practices and legal requirements.

The Risk Strategy and its governance are set by the Board of Directors (the Board). The Board has the ultimate responsibility for the management of all risks assumed and faced by the Bank. The Board manages risk through the Audit & Compliance; Risk; Executive Committees.

While the risk appetite at the Bank is linked to the overall risk management framework and business strategy of the Bank, the update of Risk Appetite statement approved by the Board and monitoring of the Bank`s risk profile management are provided within Risk Management Department general responsibility.

Banking risks include in general credit risk, market risk, operational risk, liquidity risk, interest rate risk in banking accounts, concentration risk, country risk, strategic risk and reputation risk and Bank risk appetite is a statement of the limits of these risks.

Risk Appetite monitoring activities are reported to the Board Risk Committee and Audit Committee. In case of any Risk Appetite threshold breach occurs, it is ensured that the risk management treatment and business controls are implemented to bring the exposure levels for each metric back within an acceptable range as approved by the BOD.

Issues related to Bank's work programs and business objectives are discussed in the Board Risk Committee, and necessary acknowledgment, monitoring and approval processes are performed herein.

Practices of defining, measuring with analytical methods, analyzing, reporting risks and regularly monitoring the general risk levels in order to ensure systematical management of incurred consolidated and unconsolidated-based risks of the Bank and its affiliates are performed.

The Bank identifies, measures, assesses, monitors the risks it is exposed to by way of using internationally recognised quantitative and analytical techniques found suitable for the Bank in particular, and reports related results to the Top Management.

The Bank also monitors the compliance of credit facilities and treasury operations etc. with the Bank's risk policies, administers internal reporting and monitors the results on a regular basis.

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

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

X. Explanations on the Risk Management (Continued)

a. Risk Management and General Information on Risk Weighted Amount (Continued)

1. The Bank's risk management approach (Continued)

The Bank adopts an integrated approach to stress-testing and conduct stress tests on a bank-wide basis and on a consolidated basis where applicable, providing a spectrum of perspectives at portfolio and risk-specific levels.

Stress tests are conducted for key risk factors within Market Risk, Credit Risk, Operational Risk, Structural Interest Rate Risk, Concentration Risk and Liquidity Risk areas and other risks if deem material level and the impact of stress is measured on the Bank's solvency and liquidity.

Risk management model has 3 level protection strategy designed with the purpose of efficient management of the risks:

1. Protection Level (Risk-taking departments): All business units of the Bank which are directly responsible from controlling and reducing to minimum levels the risks resulting from the activities conducted by each one of the units as per the Bank standards and policies.
2. Protection Level (Risk Management): Risk Management Department which is responsible from developing risk management methodologies, instruments and guidances to be used in managing risks and the principal responsible of presenting such documents to the usage of related people. Risk Management Department is supported by specialized departments in terms of risk management such as Internal Control, Compliance, Legal, Human Resources, Information Technologies, and Financial Control. Furthermore, risk watching does also belong to this protection level in addition to provide assistance to determine the risk reducing actions.
3. Protection Level (Internal Audit), Responsibility of assessment for effectiveness and compliance of risk management framework and application of it in the whole organization belongs to Internal Audit.

2. Overview of Risk Weighted Amount

		Risk Weighted Amount		**Minimum capital requirement**
		31 December 2019	**31 December 2018**	**31 December 2019**
1	Credit risk (excluding counterparty credit risk) (CCR)	24,804,870	21,358,864	1,984,390
2	Standardised approach (SA)	24,804,870	21,358,864	1,984,390
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	437,356	480,113	34,989
5	Standardised approach for counterparty credit risk (SA-CCR)	437,356	480,113	34,989
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	407,900	359,063	32,632
17	Standardised approach (SA)	407,900	359,063	32,632
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	1,122,241	978,813	89,779
20	Basic Indicator Approach	1,122,241	978,813	89,779
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 adjustment	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**26,772,367**	**23,176,853**	**2,141,790**

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

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

X. Explanations on the Risk Management (Continued)

b. Explanations on linkages between financial statements and risk amounts

1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values as reported in published legal consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances at central bank	2,686,424	-	2,686,424	-	-	-	-
Financial assets held for trading	202,299	-	-	197,123	-	5,176	-
Banks	1,138,474	-	1,138,474	-	-	-	-
Receivables from money markets	1,912,595	-	-	1,912,595	-	-	-
Available for sale financial assets (net)	235,254	-	235,254	-	-	-	-
Loans and receivables	17,786,638	-	17,786,638	-	-	-	-
Held to maturity securities	3,732,494	-	3,732,494	-	-	-	-
Leasing receivables	1,503,231	-	1,503,231	-	-	-	-
-Expected Credit Losses (-)	596,748		596,748				
Hedging derivative financial assets	1,142	-	1,142	-	-	-	-
Tangible assets (net)	350,790	-	350,790	-	-	-	-
Intangible assets (net)	109,942	-	-	-	-	-	109,942
Tax assets	188,199	-	188,199	-	-	-	-
Fixed assets held for sale and related to discontinued operations (net)	321,735	-	321,735	-	-	-	-
Other assets	515,718	-	515,718	-	-	-	-
Total assets	**30,088,187**	**-**	**27,863,351**	**2,109,718**	**-**	**5,176**	**109,942**
Liabilities							
Deposits	15,978,714	-	-	-	-	-	15,978,714
Derivative financial liabilities held for trading	179,920	-	-	179,920	-	-	-
Loans	7,789,104	-	-	-	-	-	7,789,104
Debt to money markets	93,595	-	-	93,595	-	-	-
Debt securities in issue	771,622	-	-	-	-	-	771,622
Various debts	353,022	-	-	-	-	-	353,022
Other liabilities	177,264	-	-	-	-	-	177,264
Leasing liabilities	50,370	-	-	-	-	-	50,370
Hedge Derivative Financial Liabilites	14,119	-	-	-	-	-	14,119
Provisions	124,675	-	-	-	-	-	124,675
Tax liability	42,867	-	-	-	-	-	42,867
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-	-
Subordinated debts	2,096,143	-	-	-	-	-	2,096,143
Equity	2,416,772	-	-	-	-	-	2,416,772
Total liabilities	**30,088,187**	**-**	**-**	**273,515**	**-**	**-**	**29,814,672**

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

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

X. Explanations on the Risk Management (Continued)

b. Linkages between financial statements and regulatory exposures (Continued)

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

		Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to securitisation framework	Items subject to market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as in template B1)	30,088,187	27,863,351	2,109,718	-	5,176
2	Liabilities carrying value amount under regulatory scope of consolidation (as in template B1)	-	-	273,516	-	-
3	Total net amount under regulatory scope of consolidation	30,088,187	27,863,351	2,383,234	-	5,176
4	Off-balance sheet amounts	34,562,053	5,571,054	493,119	-	7,078,797
5	Exposure amounts considered for regulatory purposes	-	33,132,846	825,357	-	407,900

b. Explanations on credit risk

1. Credit Quality of Assets

Credit risk is one of the most important risks that banks may expose and described as the potential loss that the Bank may suffer due to partial or complete failure of the credit customer in fulfilling his/her liabilities as per the credit contract entered. It is not described only as one of the most important risks of a Bank but managing the credit risk plays a critical role because of its magnitude within the balance sheet. Bank`s risk policies cover the methodology and responsibilities regarding the management, control and monitor of the credit risk, and some other topics in connection with the credit risk limits.

In the paralel of Bank`s general business strategy, to determine the fundamental principles and policies concerning the risks which the Bank might experience directly or indirectly due to all credits extended or to be extended by it in favor of real or legal entities resident both in Turkey and abroad and to define the risk management applications together with the authorizations and responsibilities regarding the management of these risks, credit risk management policies are created.
The purpose of credit risk management at the Bank is not to avoid risk completely but to take manageable level risks consciously, to control the risks for their duration, and to maximize the risk sensitive returns of the Bank by managing the risks that the bank may be exposed to within limits compatible with the Bank’s risk carrying capacity.

The credit risk the Bank is exposed to is monitored and managed both at the portfolio level and isolated/singular levels both in and off the balance sheet. In an effort to keep the structure and quality of the credit portfolio of the Bank at a desired level, sector based, assurance, and credit volume distribution of the portfolio is analyzed on a regular basis. Using credit risk reduction techniques, Bank makes a point of over-collateralization especially with customers with low credibility.

Not being limited only by its credit products, the Bank conducts measurement and management of credit risks of all its products and activities.

All findings achieved as result of monitoring credits and credit risks are reported to the Board of Directors and the Senior Management regularly. Credit risk monitoring, in addition to evaluation of risk at transaction and company levels, also represents an approach to credit risk monitoring by parameters such as credit type, maturity, collateral, type of foreign currency, credit ratings, sector allowing the management of risk at the portfolio level.

All personnel being involved in the lending process are required to take all necessary precautions to help manage the process effectively. Bodies responsible for credit allocation, management, and monitoring and their responsibilities are summarized in Table below:

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

X. Explanations on the Risk Management (Continued)

c. Explanations on Credit Risk (Continued)

1. General qualitative information about credit risk (Continued)

Related Unit	Process	Responsibility
Board of Directors	Credit Allocation and Management	➢ Determination of all credit allocation authorities ➢ Determination of risk appetite and risk tolerance ➢ Determination of Credit Risk Management Policy
Credit Committee		➢ Credit allocation, implementation of strategies, monitoring of risks, watching non-performing loans, loan provisioning
CEO		➢ Credit allocation right received from the Board.
Board Risk Committee	Credit Risk Management	➢ Creating and submitting credit policies to the Board for approval ➢ Monitoring risks based on approved policies and strategies
Management Risk Committee		➢ Creating scoring models ➢ Policy changes due to process updates to be submitted for approval ➢ Determination of risks that new products are carrying
Risk Management Department		➢ Identification, measurement, reporting and managing of credit risk ➢ Development of risk-sensitive measurement systems ➢ Preparation of periodic risk reports ➢ Validation of risk measurement models
Credit Allocation Department		➢ Managing credit approval processes in accordance with single obligor principle ➢ Monitoring and managing credit risks per segments ➢ Developing and implementing appropriate credit risk policies ➢ Managing credit portfolio in order to minimise loss risk
Credit Allocation, Risk Structuring and Legal Follow-up Department		➢ Repayment performance of loans after the allocation ➢ Determination of early warning signals ➢ Starting legal follow-up actions within legislative period ➢ Determination of action plan for close monitoring customers ➢ Conducting of legal and administrative processes in order to close non-performing loans with lowest loss ➢ Evaluation of loans collection abilities and send corresponding action plans for approval ➢ Identification of processes for restructuring of loans and legal follow-up
ALCO	Other	➢ Taking decisions in order to manage within determined limits interest, maturity, currency, liquidity risks generated by the loan portfolio
Treasury		➢ Base pricing for customers with allocated credit limit
International Financial Institution		➢ Allocation of limits for domestic and foreign banks ➢ Financial and qualitative analyzes of respective institutions
Internal Control	Control and Audit	➢ Making the necessary controls over activities in accordance with the credit policies and procedures, reporting irregularities
Internal Audit		➢ Auditing the effectiveness of the risk management and the internal control functions, compliance of credit processes to the laws, regulations and internal Bank procedures

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

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

X. Explanations on the Risk Management (Continued)

c. Explanations on Credit Risk (Continued)

1. General qualitative information about credit risk (Continued)

In the Bank's credit risk management, in addition to limits imposed by legislative regulations, Board of Directors defined maximum credit risk limits for risk groups and sectors are also used. These limits are determined so as not to create risk concentration.

Results of monitoring and control activities regarding credit risk management are shared with Senior Management and the committee members on a regular basis. Issues emerging from the reports are discussed at the committees and necessary actions are taken.

2. Credit Quality of Assets

		Gross carrying value in consolidated financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/amortisation and impairments	Net values (a+b-c)
		Defaulted (a)	Non-defaulted (b)	c	d
1	Loans	1,020,804	18,269,065	596,217	**18,693,652**
2	Debt securities	-	5,989,079	94,292	**5,894,787**
3	Off-balance sheet exposures	84,588	7,153,179	51,409	**7,186,358**
4	**Total**	**1,105,392**	**31,411,323**	**741,918**	**31,774,797**

3. Changes in Stock of Defaulted Loans and Debt Securities

		Amount
1	**Defaulted loans and debt securities at end of the previous reporting period**	898,137
2	Loans and debt securities that have defaulted since the last reporting period	1,235,970
3	Receivables back to non-defaulted status	-
4	Amounts written off(*)	(750,260)
5	Other changes	(278,455)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**1,105,392**

(*) Explanations about impairment of financial assets are explained in Section Third Footnote number VII.

4. Qualitative requirements to be declared to public about credit risk mitigation techniques

Credit risk mitigation indicates the technique used for mitigating the credit risk amount exposed to by the Bank, and credit risk measurements are conducted in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette no. 29511 of 23 October 2015 (legal regulation), and "Communique on Credit Risk Mitigation Techniques" (legal communique) published in the Official Gazette no. 29111 of 06 September 2014.

In this regard, the credit risk amount calculated in accordance with the legal Regulation after credit risks are mitigated for a receivable or portfolio cannot be weighed with a risk weight higher than the one applied to the credit risk amount calculated prior to credit risk mitigation.

The Bank implements one of the methods determined by legal Regulation for credit risk mitigation, and within this framework considers suitable instruments (instruments providing credit risk protection) as defined in the legal Communique and which can be used in credit risk mitigation.

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

X. Explanations on the Risk Management (Continued)

c. Explanations on Credit Risk (Continued)

4. Qualitative requirements to be declared to public about credit risk mitigation techniques (Continued)

Collaterals (funded instruments providing credit risk protection):

- Cash, gold, deposit, cash equivalent securities,
- Securities issued by the Treasury of the Republic of Turkey,
- Stocks listed on Borsa İstanbul or bonds that are convertible to stocks

Guarantees (non-funded instruments providing credit risk protection):

- Guarantees provided by the Treasury of the Republic of Turkey
- Guarantees provided by regional and local governments
- Guarantees provided by international institutions with 0% risk weighted receivables
- Guarantees provided by banks

In credit risk mitigation, the consistency between the exchange rate and maturity information of the receivables and the instrument providing credit risk protection are checked, and in case of any difference, reductions given in the legal Communique are taken into account for calculations.

For receivables secured with real estate property mortgages, the mortgage in question is not taken as an instrument that provides credit risk protection included in credit risk mitigation, but as a security used for identifying the asset class of the related receivable. In order to use the real estate property mortgage for identifying the asset class of the related receivable, valuation of the property must be conducted by an institution accredited by BRSA or CMB, and this valuation must be renewed at least once a year if the mortgage used for security is for commercial purposes, and at least once every three years in case it is used as a residence.

5. Credit Risk Mitigation Techniques

		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	16,444,111	2,249,541	283,663	-	-	-	-
2	Debt securities	5,894,787	-	-	-	-	-	-
3	**Total**	**22,338,898**	**2,249,541**	**283,663**	**-**	**-**	**-**	**-**
4	Of which defaulted	101,475	380,931	2,270	-	-	-	-

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

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

X. Explanations on the Risk Management Objectives and Policies (Continued)

c. Explanations on Credit Risk (Continued)

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

To determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", international rating firm Japan Credit Rating Agency (JCR) is started to be used as a result of rotation with 31 October 2016 instead Fitch Ratings` external risk ratings which had been used since 31 December 2012. In this context, the note set for Turkey's rating countries of long-term foreign currency, foreign currency bond issued by Treasury of the Republic of Turkey, all other foreign currency risk associated with the Republic of Turkey Central Government and assess to corresponding risk weights with limited to receivables the opposite side from foreign banks. Rating notes issued by JCR and corresponding Fitch Ratings are presented in the table below:

Japan Credit Rating Agency	Credit Quality Level
AAA to AA-	1
A+ to A-	2
BBB+ to BBB	3
BB+ to BB-	4
B+ to B-	5
CCC and lower	6

In order to ensure that the credit risk is not concentrated on the customers whose credibility is relatively low, the credits made available to the customers are classified based on the risk rating scores of the customers utilizing such credits. The amount of the credit risk which may be taken in the certain risk degrees is limited to the definite rates of the total credits. In this frame, within risk appetite, based on external ratings country risk limits and counterparty abroad financial institution risk limits are defined.

The matching of the ratings given by the Fitch Ratings International Rating Agency with the risk weights according to the credit quality level and risk classes is shown in the table below:

		Risk Classes			
			Receivables from Banks and Intermediaries		
Credit Quality Level	Rating of Fitch Long term credit	Contingent and Non-Contingent Receivables from Central Governments or Central Banks	Receivables that original maturities are lower than 3 months	Receivables that original maturities are higher than 3 months	Corparate Receivables
1	AAA ve AA- arası	0%	20%	20%	20%
2	A+ ve A- arası	20%	20%	50%	50%
3	BBB+ ve BBB- arası	50%	20%	50%	100%
4	BB+ ve BB- arası	100%	50%	100%	100%
5	B+ ve B- arası	100%	50%	100%	150%
6	CCC+ ve aşağısı	150%	150%	150%	150%

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

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

X. Explanations on the Risk Management (Continued)

c. Explanations on Credit Risk (Continued)

7. Consolidated Credit Risk Exposure and Credit Risk Mitigation Techniques

		Exposures before CCF and CRM		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	Risk Classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA Density
1	Exposures to central governments or central banks	6,153,966	-	6,779,026	-	1,536,285	22.7%
2	Exposures to regional and local governments or local authorities	-	-	-	-	-	0.0%
3	Exposures to public sector entities	-	870	-	870	870	100%
4	Exposures to multilateral development banks	-	-	-	-	-	0.0%
5	Exposures to international organizations	-	-	-	-	-	0.0%
6	Exposures to institutions	2,375,521	220,262	2,375,521	220,257	1,105,070	42.6%
7	Exposures to corporates	15,634,155	4,843,545	15,138,202	4,819,915	19,177,288	96.1%
8	Retail exposures	1,583,031	201,798	1,274,167	183,656	1,093,367	75.0%
9	Exposures secured by residential property	339,610	17,963	337,072	17,494	124,098	35.0%
10	Exposures secured by commercial real estate	716,966	3,936	708,451	3,936	356,193	50.0%
11	Past-due loans	758,352	-	748,430	-	787,502	105.2%
12	High risk categories by the Agency Board	-	-	-	-	-	0.0%
13	Exposures in the form of covered bonds	-	-	-	-	-	0.0%
14	Exposures to institutions and corparetes with a short term credit assessment	-	-	-	-	-	0.0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0.0%
16	Other exposures	1,351,207	-	1,351,207	-	1,061,553	78.6%
17	Investments in equities	-	-	-	-	-	0.0%
18	**Total**	**28,912,808**	**5,288,374**	**28,712,076**	**5,246,128**	**25,242,226**	**74.3%**

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

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

X. Explanations on the Risk Management (Continued)

c. Explanations on Credit Risk (Continued)

8. Consolidated Exposures by Asset Classes and Risk Weights

	Regulatory portfolio	0%	10%	20%	35% secured by real estate mortgage	50% secured by real estate mortgage	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
1	Exposures to central governments or central banks	3,706,456	-	-	-	-	3,072,570	-	-	-	-	-	6,779,026
2	Exposures to regional and local governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	-	870	-	-	-	870
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	642,729	-	-	1,953,049	-	-	-	-	-	2,595,778
7	Exposures to corporates	-	-	76,732	-	-	1,438,887	-	18,442,498	-	-	-	19,958,117
8	Retail exposures	-	-	-	-	-	-	1,457,823	-	-	-	-	1,457,823
9	Exposures secured by residential property	-	-	-	354,566	-	-	-	-	-	-	-	354,566
10	Exposures secured by commercial real estate	-	-	-	-	712,387	-	-	-	-	-	-	712,387
11	Past-due loans	-	-	-	-	-	21,201	-	627,885	99,344	-	-	748,430
12	High risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corparetes with a short term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
17	Other exposures	289,596	-	72	-	-	-	-	1,061,539	-	-	-	1,351,207
18	**Total**	**3,996,052**	**-**	**719,533**	**354,566**	**712,387**	**6,485,707**	**1,457,823**	**20,132,792**	**99,344**	**-**	**-**	**33,958,204**

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

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

X. Explanations on the Risk Management (Continued)

d. Explanations on Counterparty Credit Risk (CCR)

1. Qualitative Explanations on Counterparty Credit Risk

Main issues related to Counterparty Credit Risk management process are mentioned in the Bank’s Derivatives Policy and Credit Risk policies. Counterparty credit risk for customer derivative products are internally calculated through the use of fair value method, and standard method is used for credit valuation adjustment. For such transactions, customer-based counter-trend risks are taken into account, transaction limits required by Credit Allocation department are determined, and necessary collaterals are taken. Limit/Risk realisations are monitored by Risk Management on a daily basis; realisations are relayed to respective business units, and credits are relayed to credit allocation teams and operation units.

2. Consolidated Counterparty Credit Risk (CCR) Approach Analysis

		Replacement cost	Potential future exposure	EEPE(Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	178,664	179,377		1.4	358,041	272,248
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions))					332,238	66,448
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					332,238	66,448
6	**Total**						**338,696**

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

X. Explanations on the Risk Management (Continued)

d. Explanations on Counterparty Credit Risk (CCR) (Continued)

3. Consolidated Capital Requirement For Credit Valuation Adjustment (CVA)

		EAD post-CRM	RWA
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-
1	(i) Value at Risk component (including the 3×multiplier)		-
2	(ii) Stressed Value at Risk component (including the 3×multiplier)		-
3	Total portfolio value with simplified approach CVA adequacy	135,112	98,660
4	Total subject to the CVA capital obligation	135,112	98,660

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

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

X. Explanations on the Risk Management (Continued)

d. Explanations on Counterparty Credit Risk (CCR) (Continued)

4. Consolidated CCR Exposures By Risk Class And Risk Weights

Risk weight/ Risk classes	%0	%10	%20	%50	%75	%100	%150	Other	Total credit exposure (*)
Central governments and central banks receivables	-	-	-	-	-	-	-	-	-
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
International organizations receivables	-	-	-	-	-	-	-	-	-
Banks and intermediary institutions receivables	-	-	367,275	185,221	-	-	-	-	552,496
Corporate receivables	-	-	-	-	-	266,580	-	-	266,580
Retail receivables	-	-	-	-	6,281	-	-	-	6,281
Mortgage receivables	-	-	-	-	-	-	-	-	-
Non performing receivables	-	-	-	-	-	-	-	-	-
High risk defined receivables	-	-	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	
Short term credit rated banks and intermediary institutions receivables	-	-	-	-	-	-	-	-	-
Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**367,275**	**185,221**	**6,281**	**266,580**	**-**	**-**	**825,357**

(*) Total credit risk: the amount of relating to the capital adequacy calculation after applying counterparty credit risk measurement techniques

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

X. Explanations on the Risk Management (Continued)

d. Explanations on Counterparty Credit Risk (CCR) (Continued)

5. Collaterals for Consolidated CCR

	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	1,658	1,690,923
Cash-foreign currency	-	-	-	-	91,938	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**93,596**	**1,690,923**

6. Consolidated Credit Derivatives

	Protection bought	Protection sold
Notionals	-	-
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	-	-
Fair Values	-	-
Positive fair values (asset)	-	-
Negative fair values (liability)	-	-

7. Central counterparty risks (CCR): None

e. Securitisation Explanations: None.

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

X. Explanations on the Risk Management (Continued)

f. Explanations on market risk

1. Explanations on Risk Management's Objectives and Policies Related to Market Risk

Prepared with a view to establishing an outlook on market policy, Market Risk Management Policy defines the market risk factors which the Bank is exposed to, and presents the process, measurement methods and monitoring activities to be employed for managing such risks. The manual also offers an in-depth description of the Bank's current strategy on market risk.

Basically, the Bank's market risks are classified into interest rate risk, foreign exchange risk, stock price risk, option risk and commodity risk.

For the Bank's capital adequacy ratio calculations, value at market risk is calculated by using the standard method. Moreover, daily Value at Risk is also calculated and presented as part of the Daily Risk Report prepared by Market Risk Management Unit. Currently, Value at Risk is calculated by using the historical simulation method, with 1-day lock-up period, 99% confidence interval. For Value at Risk calculations, the Bank uses its market risk software.

Market risk measurement results and limit realisations are reported daily to Treasury Management, and Treasury Management is expected to act in accordance with the limits established. Measurement and realisation results are shared with the General Manager, Board Audit Committee Chairman on a daily basis, and it is ensured that Senior Management is informed about the current market risk carried by the Bank's Trading account portfolio.

The Bank's risk appetite for market risk has been aligned with the market risk limits established in accordance with Risk Appetite Policy. Risks are hereby mitigated by means of sector-based, product-based and asset type-based diversification method.

Measurement and monitoring activities related to market risk management are conducted by Market Risk Management Unit. Treasury Operations Unit captures the transactions, which are executed by Treasury Management, in the system upon checking the suitability. Market risk positions defined as per the Bank's current Risk Appetite Policy and risk realisations are shared with Treasury Management on a daily basis in the "Daily Risk Report" prepared by Market Risk Management Unit. Treasury Management is notified and necessary action plans are requested in case of limit breaches. Additionally, Market Risk realisations are submitted to Assets and Liabilities Committee for discussion.

2. Consolidated Market Risk -Standard Approach

		RWA
	Outright products	
1	Interest rate risk (general and specific)	10,100
2	Equity risk (general and specific)	-
3	Foreign exchange risk	394,863
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	2,937
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**407,900**

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

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

X. Explanations on the Risk Management (Continued)

c. Explanations on Market Risk (Continued)

Bank's risk management operations, which are determined by the Board of Directors, are in line with the "Regulation of Internal Bank Systems" and "Regulation of Capital Adequacy Measurement and Evaluation". In order to comply with the Regulations, the Bank's operations regarding the market risk are administrated in line with the "Regulation of Internal Bank Systems" and "Regulation of Capital Adequacy Measurement and Evaluation".

Board of Directors monitors the efficiency of risk administration systems by evaluations of the Audit Committee, Management and Early Detection of Risk Committee as well as upper management's opinions and other miscellaneous reports.

The Parent Bank's risk policies and risk administration policies for the encountered market risk are being approved by the board of directors and reviewed on a regular basis. Market risk is measured and limited in compliance with international standards and capital requirements are calculated accordingly in addition to it is managed by hedging instruments to eliminate the risk.

The market risk of portfolios held for trading is calculated using the standard method and the value at risk ("VaR") methods. Standard method calculations are made on a monthly basis which is used for calculating the capital adequacy generally accepted three methods (variance, covariance, historical simulation, Monte Carlo).VaR calculations are performed on a daily basis using the historical simulation (EWMA) method. VaR calculations are made using the past 1 year data with 99% assurance and 1 day holding period (10 days for legal capital calculation). All positions in the trading portfolio are set a daily risk limit and nominal position limits and all these limits are monitored and reported to upper management. In addition, trading portfolio, value at risk increase and limit comply situations are reported to Active Passive Committee every two weeks and to upper management and Management and Early Detection of Risk Committee every three months. VaR model is tested on a backward basis to ensure reliability. In order to limit market risk, in addition to VaR and nominal position limits, there are stop loss limits on trading portfolio that are approved by the board of directors.

3. Information on Market Risk

	31 December 2019	31 December 2018
(I) Capital Requirement Against General Market Risk – Standard Method	808	644
(II) Capital Requirement Against Specific Risk – Standard Method	-	23
Capital Requirement Specific Risk Related to Securitization Positions-Standard Method	-	-
(III) Capital Requirement Against Currency Risk – Standard Method	31,824	28,058
(IV) Capital Requirement Against Commodity Risk – Standard Method	-	-
(V) Capital Requirement Against Exchange Risk – Standard Method	-	-
(VI) Capital Requirement Against Market Risk of Options – Standard Method	-	-
(VII) Capital Requirement Against Counterparty Credit Risk-Standard Method	-	-
(VIII) Capital Requirement Against Market Risks of Banks Applying Risk Measurement Models	-	-
(IX) Total Capital Requirement Against Market Risk (I+II+III+IV+V+VI)	32,632	28,725
(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)	**407,900**	**359,063**

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

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

X. Explanations on the Risk Management (Continued)

f. Explanations on Market Risk (Continued)

4. Average Market Risk Table of Calculated Market Risk during the Period at Month Ends:

	31 December 2019			31 December 2018		
	Average	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Interest Rate Risk	1,127	1,609	713	613	1,352	330
Common Stock Risk	-	-	-	-	-	-
Currency Risk	32,189	50,030	24,951	17,248	32,750	3,014
Commodity Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Counterparty Credit Risk	-	-	-	-	-	-
Option Risk	254	959	1	198	373	68
Total Value at Risk	**419,617**	**652,613**	**329,788**	**225,723**	**429,500**	**48,713**

5. Information on Counterparty Credit Risk:

In order to calculate the counterparty credit risk the "Fair Value" method is used which is determined by (Appendix 2) of "Regulation on Measurement and Assessment of Capital Adequacy of Banks," published in 28 June 2012 is taken into consideration. In accordance with the before-mentioned method, potential credit risk value is calculated and added to the renewal costs of the agreements with positive values.

For derivative transactions, sum of revaluation costs and accumulation of potential credit risk is considered to be the risk amount. Revaluation costs are calculated by valuation of the contract with its fair value and by multiplication of contract amount with the loan conversion rate.

6. Quantitative Information on Counterparty Risk (Annualy):

	31 December 2019
Interest Rate Contracts	3,611,134
Foreign Exchange Rate Contracts	13,560,558
Commodity Contracts	-
Equity Shares Related Contracts	-
Other	-
Gross Positive Fair Values	825,357
Netting Benefits	-
Net Current Exposure Amount	-
Collaterals Received	-
Net Derivative Position	825,357

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

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

X. Explanations on the Risk Management (Continued)

g. Explanations on Operational Risk:

Amount subject to operational risk is calculated once a year with "Basic Indicator Method" in accordance with the "Regulation for Measuring and Evaluating Capital Adequacy of Banks" enforced in 31 March 2016 and updated version published in 23 October 2015 Official Gazette No.29511. As of 31 December 2019, the operational risk is calculated using the revenues of 2016, 2017 and 2018. The risk amount calculated using the "Capital Adequcy Standard Ratio" indicated in the disclosure I of the section 4 amounts to TL 1,122,241.

The annual gross income is calculated over sum of net values of interest and non-interest income by deducting the profit/(loss) that is generated from available for sale and held to maturity and extraordinary income, operating expense for support services and amount collected from insurances.

1. In the case of using the basic indicator method (Annual):

	31 December 2016	31 December 2017	31 December 2018	Total Number of Positive Year	Ratio (%)	Total
Gross Income	457,975	537,992	799,618	598,528	15	89,779
Amount Subject to Operational Risk (Total*12,5)	-	-				1,122,241

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

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

XI. Explanations on Hedge Accounting

Starting from 24 March 2014, the Bank has hedged the fair value effects of changes in libor interest rates, fixed interest rate loan with maturity 5 years funding by using interest rate swap. The nominal value of interest rate swap is TL 55,000 with maturity 5 years respectively.

As of 24 March 2019, the difference of TL 254 resulting from the changes in the fair values of the loans that are subject to fair value hedge accounting will be amortized until 25 December 2023.

The Bank evaluates the method of hedge whether to be effective on the expected changes in fair values in this process or not or each result of hedge effectiveness whether to be between the range of 80% and 125%.

Changes in fair values of derivative transactions determined as hedge for fair value are recorded in profit or loss together with changes in hedging asset or liability. The difference in current values of derivative transactions fair value hedge is shown in “Trading Gains/Losses on derivative financial instruments” account. In the balance sheet, change in fair value of hedge asset or liability during the hedge accounting to be effective is shown with the related asset or liability. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortised cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the “Trading Gains/Losses on derivative financial instruments” account.

The Bank applies cash flow hedge accounting using interest rate swaps to hedge its TL deposits with short term cyclical basis. The Parent Bank 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 reserves”, whereas the amount concerning ineffective part is associated with income statement.

Derivative financial instruments designated as hedging instruments are interest rate swaps. Those derivative financial instruments are summarized in the following table:

Starting Date	Due Date	Currency	Principal Amount
20 November 2018	27 May 2020	TL	100,000
7 November 2018	11 May 2020	TL	50,000
7 November 2018	11 May 2020	TL	50,000
7 December 2018	11 June 2020	TL	100,000
13 November 2019	15 May 2021	TL	30,000
21 November 2019	26 November 2021	TL	100,000

	31 December 2019		
	Principal Amount (*)	Assets	Liabilities
Derivative financial instruments			
Interest rate swaps	860,000	1,142	14,119
Total	**860,000**	**1,142**	**14,119**

(*) The sum of purchase and sale legs of the transactions.

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 r loss when the cash flows of the hedged items are realized.

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

SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Notes on Assets

a. Information on Cash and Balances with the Central Bank of Republic of Turkey (“CBRT”)

1. Information on cash and the account of the CBRT

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Cash/Foreign Currency	34,609	114,773	18,142	79,982
CBRT	114,146	2,422,824	325,094	1,781,257
Other	72	-	350	7,226
Total	**148,827**	**2,537,597**	**343,586**	**1,868,465**

2. Information on the account of the CBRT

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Demand Unrestricted Amount (*)	114,146	1,178,126	325,094	1,026,157
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	-	-	-
Reserve Requirement	-	1,244,698	-	755,100
Total	**114,146**	**2,422,824**	**325,094**	**1,781,257**

(*) The reserve requirement hold as average has been classified under “Central Bank Demand Unrestricted Account” pursuant to the correspondence with BRSA as of 3 January 2008.

3. Information on reserve requirements

The banks which are established in Turkey or operates in Turkey through opening a branch shall be subjected to T.C. Central Bank’s No. 2005/1 Regulation Required Reserves. The amount includes the amount that is going to found with deducting the items that stated in the Communiqué from the banks total domestic liabilities and branches abroad on behalf of the deposits accepted from Turkey liabilities subject to reserve requirements.

The required reserves may keep in reserve in Central Bank of Turkey as Turkish Lira, USD and/or Euro and standard gold. As of 31 December 2019, the Turkish lira required reserve ratios are determined to be within the range of 1% - 7% depending on the maturity structure of deposits denominated in Turkish Lira (31 December 2018: 1.5% - 8% for all Turkish lira liabilities), and the required reserve ratios for foreign currency deposits within the range of 15% - 19% (31 December 2018: 8%-12% for all foreign currency deposits) and other foreign currency liabilities within the range of 5%-21% (31 December 2018: 4% - 20% for all foreign currency liabilities). According to the Communiqué No: 2019/15 with the enforcement date of 9 August 2019, for the banks whose loan growth is between reference values decided by the Communiqué, reserve requirement ratios for Turkish lira liabilities in all maturity brackets excluding deposits and participation funds with 1-year or longer maturity (excluding deposits/participation funds obtained from banks abroad) and other liabilities with longer than 3-year maturity (including deposits/participation funds obtained from banks abroad), will be set at 2 percent. . For other Banks, foreign currency required reserve ratios in Article 6 of the Communiqué are applied.

CBRT applies 10% Turkish Liras Required Reserve interest rate to banks with real credit growth that meet the conditions set by the CBRT Communiqué on Required Reserves No. 2019/19, to other banks it applies 0%.

CBRT does not pay interest to required reserves held as USD since 19 September 2019.

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

As of 31 December 2019, the Bank has no financial assets at fair value through profit/loss subject to repo transactions (31 December 2018: None) and has no financial assets at fair value through profit and loss given as collateral/blocked amount (31 December 2018: None).

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

c. Positive differences related to derivative financial assets

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Forward Transactions	542	3397	11,708	667
Swap Transactions	129,571	46,883	127,095	36,267
Options	143	7,319	283	17,107
Total	**130,256**	**57,599**	**139,086**	**54,041**

(*) Hedging derivative financial assets are excluded

d. Information on banks

1. Information on banks

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Banks				
Domestic	20,430	510,315	243,536	391,065
Foreign	-	608,058	-	170,733
Total	**20,430**	**1,118,373**	**243,536**	**561,798**

2. Information on foreign banks:

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

e. Information on financial assets at fair value through other comprehensive income given as collateral/blocked

As of 31 December 2019, there are no financial assets at fair value through other comprehensive income given as collateral/blocked and subject to repurchase agreements. As of 31 December 2019, except the financial assets at fair value through other comprehensive income given as collateral/blocked and those subject to repurchase agreements, amounting to TL 3,048 (31 December 2018: TL 2,486). As of 31 December 2019, the share certificates amounted to TL 8,420 (31 December 2018: TL 5,658).

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

	31 December 2019	**31 December 2018**
Debt Securities	227,222	2,499
Quoted on Stock Exchange	224,174	-
Not Quoted	3,048	2,499
Share Certificates	8,420	5,658
Quoted on Stock Exchange	1	1
Not Quoted	8,419	5,657
Impairment Provision (-)	388	13
Total	**235,254**	**8,144**

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans

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

	31 December 2019		31 December 2018	
	Cash	**Non-cash**	**Cash**	**Non-cash**
Direct Loans Granted To Shareholders	-	15,888	-	164,542
Corporate Shareholders	-	15,888	-	164,542
Real Person Shareholders	-	-	-	-
Indirect Loans Granted To Shareholders	437,597	10,000	151,800	5,483
Loans Granted To Employees	7,407	-	5,541	-
Total	**445,004**	**25,888**	**157,341**	**170,025**

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

		Loans Under Close Monitoring		
			Restructured Loans	
Cash Loans (*)	**Standard Loans**	**Loans Not Subject to restructuring**	**Amendments on Conditions of Contract**	**Refinancing**
Non-Specialized Loans	14,230,704	2,046,938	568,629	-
Corporate Loans	-	-	-	-
Export Loans	2,500,836	96,944	37,111	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	1,062,388	-	983	-
Consumer Loans	149,431	8,221	228	-
Credit Cards	25,173	2,945	-	-
Other	10,492,876	1,938,828	530,307	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**14,230,704**	**2,046,938**	**568,629**	**-**

(*) Standard and closely monitored leasing receivables amounting to TL 974,905 and TL 447,889 respectively are not included.

Current Period (*)

	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses	85,532	-
Significant Increase in Credit Risk	-	224,621

(*)Expected loss provision amounting to TL 531 calculated for financial assets measured at amortized cost is not included.

Prior Period

	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses	100,735	-
Significant Increase in Credit Risk	-	415,221

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

3. Loans according to their maturity structure

	Standart Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	**6,841,757**	**292,288**	**5,873**	**-**
Non-specialised Loans	6,841,757	292,288	5,873	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	**7,388,947**	**1,754,650**	**562,756**	**-**
Non-specialised Loans	7,388,947	1,754,650	562,756	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**14,230,704**	**2,046,938**	**568,629**	**-**

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

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

	Short-term	**Medium and Long-term**	**Total**
Consumer Loans-TL	8,548	140,300	148,848
Real Estate Loans	-	66,617	66,617
Automotive Loans	90	700	790
Consumer Loans	8,458	72,983	81,441
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	10,255	-	10,255
With Installments	1,636	-	1,636
Without Installments	8,619	-	8,619
Individual Credit Cards- FC	1	-	1
With Installments	-	-	-
Without Installments	1	-	1
Personnel Loans-TL	729	4,523	5,252
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	729	4,523	5,252
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	1,893	-	1,893
With Installments	407	-	407
Without Installments	1,486	-	1,486
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Credit Deposit Account-TL (Individuals) (*)	3,780	-	3,780
Credit Deposit Account-FC (Individuals)	-	-	-
Total	**25,206**	**144,823**	**170,029**

(*) TL 262 of the credit deposit account personnel loans.

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

5. Information on commercial installment loans and corporate credit cards

	Short-term	Medium and long-term	Total
Commercial Loans With Installments-TL	20,744	2,162,425	2,183,169
Real Estate Loans	-	67	67
Automotive Loans	-	14,565	14,565
Consumer Loans	20,744	2,147,793	2,168,537
Other	-	-	-
Commercial Loans With Installment-FC Indexed	-	230,679	230,679
Real Estate Loans	-	197,009	197,009
Automotive Loans	-	32,247	32,247
Consumer Loans	-	1,423	1,423
Other	-	-	-
Commercial Loans With Installment-FC	265	3,328,806	3,329,071
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	265	3,328,806	3,329,071
Other	-	-	-
Corporate Credit Cards-TL	15,952	2	15,954
With Installment	2,716	2	2,718
Without Installment	13,236	-	13,236
Corporate Credit Cards-FC	15	-	15
With Installment	-	-	-
Without Installment	15	-	15
Overdraft Accounts – TL(Corporate)	43,908	-	43,908
Overdraft Accounts – FC (Corporate)	-	-	-
Total	**80,884**	**5,721,912**	**5,802,796**

6. Loans according to types of borrowers

	31 December 2018	31 December 2017
Public	39,591	-
Private	16,806,680	15,602,919
Total	**16,846,271**	**15,602,919**

7. Distribution of domestic and foreign loans

Related loans are classified according to the location of the customers.

	31 December 2019	31 December 2018
Domestic Loans	16,837,084	15,524,463
Foreign Loans	9,187	78,456
Total	**16,846,271**	**15,602,919**

8. Loans given to investments in associates and subsidiaries

As of 31 December 2019, there are no loans granted to associates and subsidiaries amount (31 December 2018: None).

9. Information on specific provisions provided against loans or provisions for default (Stage 3)

	31 December 2019	31 December 2018
Loans with Limited Collectability	49,650	130,903
Loans with Doubtful Collectability	54,396	45,711
Uncollectible Loans	182,018	339,093
Total	**286,064**	**515,707**

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

10. Information on non-performing loans (Net)

(i). Information on non-performing loans restructured or rescheduled and other receivables

Group has no non-performing loans restructured or rescheduled and other receivables as of 31 December 2019 (31 December 2018: None).

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

	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 2018 (***)	**238,696**	**85,264**	**495,236**
Addition (+)	381,224	7,685	779,011
Transfers from Other Categories of Non-performing Loans (+)	2	446,421	331,934
Transfers to Other Categories of Non-performing Loans (-)	(446,421)	(331,934)	(162)
Collections (-)	(61,597)	(58,916)	(95,379)
Write-offs (-) (*)	-	-	(625,657)
Sold Portfolio (-) (**)	-	(16,682)	(107,921)
Corporate and Commercial Loans	-	(16,682)	(106,183)
Consumer Loans	-	-	(649)
Credit Cards	-	-	(1,089)
31 December 2019	**111,904**	**131,838**	**777,062**
Specific Provision (-)	49,650	54,396	182,018
Net Balance on Balance Sheet	**62,254**	**77,442**	**595,044**

(*) The Bank's non-performing loans amounting to TL 3,866 have been write-off, due to the Board of Directors' decisions taken in 2019.
In December, Group deducted amounting to TL 621,791 which are non-performing loans notional amount and its provisions within the scope of the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette on 27 November 2019. This operation has had a 3% reduction in the non-performing conversion rate as a point.

(**) The Bank has sold non-performing loans of TL 124,603 and provision amounting to TL 124,481 to an asset management company on 22 February 2019 for TL 1,200.

(***) Non performing financial leasing receivables amounting to TL 80,437 has included.

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

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

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

The Group has no non-performing loans denominated in foreign currency loans as at the balance sheet date (31 December 2018: TL 94,396).

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

	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 2019 (Net)	**62,254**	**77,442**	**595,044**
Loans to Real Persons and Legal Entities (Gross)	111,904	131,838	777,062
Specific Provision Amount (-)	49,650	54,396	182,018
Loans to Real Persons and Legal Entities (Net)	62,254	77,442	595,044
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
31 December 2018 (Net)	**107,793**	**39,553**	**156,143**
Loans to Real Persons and Legal Entities (Gross)	238,696	85,264	495,236
Specific Provision Amount (-)	(130,903)	(45,711)	(339,093)
Loans to Real Persons and Legal Entities (Net)	107,793	39,553	156,143
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

(v). Information on interest accruals, rediscounts, valuation differences and their equivalents calculated for non-performing loans in accordance with TFRS 9

	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**
Current Period (Net)	-	-	-
Interest accruals and valuation differences	-	-	9,643
Provision (-)	-	-	(9,643)
Prior Period(Net)	-	-	-
Interest accruals and valuation differences	18,503	3,944	3,957
Provision (-)	(18,503)	(3,944)	(3,957)

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

11. Explanation on liquidation policy for uncollectible loan and receivable

Collection of uncollectible loans and other receivables is collected through the liquidation of collaterals and by legal procedures.

12. Explanations on write-off policy

Uncollectible loans and other receivables are recovered through legal proceedings and liquidation of collaterals or they are written off with Board decision in accordance with the Tax Procedural Law.

In December, Group deducted amounting to TL 621,791 which are non-performing loans notional amount and its provisions within the scope of the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette on 27 November 2019. This operation has had a 3% reduction in the non-performing conversion rate as a point.

The Parent Bank has sold non-performing loans of TL 124,603 and provision amounting to TL 124,481 to a asset management company on 22 February 2019 for TL 1,200.

h. Information on financial assets measured at amortised cost

1. Information on financial assets subject to repurchase agreements and those given as collateral/blocked

(i) Financial assets measured at amortised cost

As of 31 December 2019 there are financial assets measured at amortised cost given as collateral amounting to TL 3,732,494 (31 December 2018: TL 3,427,060) .

	31 December 2019		**31 December 2018**	
	TL	**FC**	**TL**	**FC**
Given as collateral/blocked	21,212	815,975	41,515	730,632
Subject to repurchase agreements	-	123,647	-	1,065,290
Other	268,608	2,503,052	276,629	1,312,994
Total	**289,820**	**3,442,674**	**318,144**	**3,108,916**

2. Information on debt securities measured at amortised cost

(i) Financial assets measured at amortised cost

	31 December 2019	**31 December 2018**
Government Bonds	2,980,116	2,987,299
Treasury Bills	289,820	-
Other Government Debt Securities	-	-
Total	**3,269,936**	**2,987,299**

3. Financial assets measured at amortised cost

	31 December 2019	**31 December 2018**
Debt Securities	**3,826,398**	**3,452,545**
Quoted to Stock Exchange	3,826,398	3,452,545
Not Quoted to Stock Exchange	-	-
Impairment Provision (-)	93,904	**25,485**
Total	**3,732,494**	**3,427,060**

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

h. Information on financial assets measured at amortised cost (Continued)

4. Movement of financial assets measured at amortised cost

	31 December 2019	31 December 2018
Balance at the Beginning of the Period	3,427,060	881,860
Effect of Reclassifications and Measurements in accordance with TFRS 9	-	1,666,666
Foreign Currency Differences on Monetary Assets	391,587	904,019
Disposals Through Sales and Redemptions	(56,866)	-
Impairment Provision (-)	29,287	(25,485)
Balance at the End of the Period	**3,732,494**	**3,427,060**

i. Information on investments in associates (Net)

Group has no associates as of 31 December 2019 (31 December 2018: None).

j. Information on subsidiaries (Net)

1. Information on shareholders' equity of the significant subsidiaries

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

2. Information on unconsolidated subsidiaries

There is no unconsolidated subsidiary (31 December 2018: None).

3. Information on consolidated subsidiaries

No	Title	Address (City/ Country)	Bank's share percentage, if different voting percentage (%)	Bank's Risk Group Share (%)
1	Alternatif Yatırım Menkul Değerler A.Ş.	İstanbul/Türkiye	100.00	100.00
2	Alternatif Finansal Kiralama A.Ş.	İstanbul/Türkiye	99.99	99.99

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

No	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value
1(*)	61,369	35,520	1,807	5,890	1,155	3,904	1,900	-
2(*)	1,652,717	214,640	21,311	165,530	-	5,709	8,064	-

(*) The above mentioned subsidiaries' financial data are taken from the financial statements prepared for the BRSA consolidation as of 31 December 2019.

Information about equity component of the consolidated subsidiaries:

	Alternatif Finansal Kiralama A.Ş.	Alternatif Yatırım Menkul Değerler A.Ş.
TIER I Capital	222,491	34,438
Paid-in Capital	100,000	22,509
Capital Reserves	97,714	14,370
Current and Prior Period Net Profit	26,235	3,904
Current and Prior Period Net (Loss)	-	(6,028)
Intangible Assets (-)	1,458	317
TIER II Capital	-	-
Deductions from Capital	-	-
Net Usable Capital	**222,491**	**34,438**

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

j. Information on subsidiaries (Net) (Continued)

4. The movement of the subsidiaries

	31 December 2019	31 December 2018
Balance at the beginning of the period	**225,580**	**166,380**
Movements during the period	-	**59,200**
Purchases	-	59,200
Transfers	-	-
Bonus Shares Obtained	-	-
Share in Current Year Income	-	-
Sales	-	-
Revaluation (Decrease) / Increase	-	-
Provision for Impairment	-	-
Balance at the End of the Period	**225,580**	**225,580**
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

5. Sectoral information on financial subsidiaries and the related carrying amounts

Subsidiaries	31 December 2019	31 December 2018
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	192,166	192,165
Finance Companies	-	-
Other Financial Subsidiaries	33,414	33,415

6. Quoted subsidiaries

None (31 December 2018: None).

k. Information on joint ventures

There are no joint ventures (31 December 2018: None).

l. Information on finance lease receivables (Net)

Finance lease receivable of the Group is amounting to TL 1,503,231 TL (31 December 2018: TL 1,969,636).

m. Information on hedging derivative financial assets

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Fair Value Hedge(*)	-	-	1,485	-
Cash Flow Hedge	1,142	-	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
Total	**1,142**	-	**1,485**	-

(*) Explained in Section Four Footnote XI.

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

n. Tangible assets

31 December 2019	**Real Estates**	**Motor Vehicles**	**Other Tangible Assets**	**Financial Leasings**	**Total**
Cost	237,821	28	115,809	-	353,658
Accumulated Depreciation (-)	2,369	28	67,900	-	70,297
Net Book Value	**235,452**	**-**	**47,909**	**-**	**283,361**
31 December 2018					
Net Book Value at Beginning of the Period					-
Adjustment of Transition IFRS 16				48,478	48,478
Additions	3,202	6,134	34,599	17,653	61,588
Disposals Cost	10	-	18,011	-	18,021
Disposals Depreciation (-)	-	-	(13,501)	-	(13,501)
Impairment (*)	-	-	-	-	-
Depreciation (-)	4,310	453	13,269	20,085	38,117
Cost at Period End	**241,013**	**6,162**	**132,397**	**66,131**	**445,703**
Accumulated Depreciation at Period End (-)	**6,679**	**481**	**67,668**	**20,085**	**94,913**
Closing Net Book Value at Period End	**234,334**	**5,681**	**64,729**	**46,046**	**350,790**

31 December 2018	**Real Estates**	**Motor Vehicles**	**Other Tangible Assets**	**Total**
Cost	426	28	120,629	121,083
Accumulated Depreciation (-)	8	28	82,536	82,572
Net Book Value	**418**	**-**	**38,093**	**38,511**
31 December 2018	**418**	**-**	**38,093**	**38,511**
Net Book Value at Beginning of the Period	418	-	38,093	38,511
Additions	210,146	-	25,090	235,236
Disposals Cost	533	-	29,910	30,443
Disposals Depreciation (-)	-	-	24,736	24,736
Impairment (*)	27,782	-	-	27,782
Depreciation (-)	2,361	-	10,100	12,461
Cost at Period End	**237,821**	**28**	**115,809**	**353,658**
Accumulated Depreciation at Period End (-)	**2,369**	**28**	**67,900**	**70,297**
Closing Net Book Value at Period End	**235,452**	**-**	**47,909**	**283,361**

(*) The Bank applies a revaluation model for buildings in accordance with IAS 16 "Accounting Standard for Tangible Fixed Assets". For this purpose, the fair value of the purchased headquarter building has been determined by an independent valuation firm authorized by the BRSA and the Capital Markets Board. As a result of the revaluation study, the increase in the book value of the buildings has been transferred to the accumulated other comprehensive income or expenses account that will not be reclassified in profit or loss in the equity account group As a result of the valuation of the buildings there is an increase on tangible asset before tax item amounting to TL 27,782 as of 31 December 2018.

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

o. Intangible assets

	Current Period	**Prior period**
Gross Value at the Beginning of the Period	49,647	49,647
Accumulated Depreciation (-)	-	-
Impairment Provision (-)	-	-
Movement During the Period	-	-
Addition Goodwill	-	-
Assets and Liabilities Arising from Changes in Value of Correction	-	-
During the Period Discontinue an Operation and Goodwill Partially or Completely Removed from an Asset (-)	-	-
Depreciation (-)	-	-
Impairment Provision (-)	-	-
Reversal of Impairment Provision (-)	-	-
Book Value Occuring Other Changes	-	-
Gross Value at the End of the Period	49,647	49,647
Accumulated Depreciation (-)	-	-
Impairment Provision (-)	-	-
Net Book Value at the End of the Period	**49,647**	**49,647**

Since the recoverable value of Alternatif Finansal Kiralama A.Ş. is determined to be higher than its registered value, no impairment has been recorded.

2. Gross carrying value and accumulated depreciation values at the beginning and end of the period

	31 December 2019	**31 December 2018**
Gross Carrying Value	142,688	118,353
Accumulated Depreciation (-)	82,393	66,490
Net Book Value	**60,295**	**51,863**

3. Information on movements between the beginning and end of the period

	31 December 2019	**31 December 2018**
Beginning of the Period	**51,863**	**43,394**
Internally Generated Amounts	-	-
Additions due to Mergers, Transfers and Acquisitions	22,137	18,405
Disposals	-	-
Amount Accounted under Revaluation Reserve	-	7
Impairment	-	-
Impairment Reversal	-	-
Amortisation (-)	13,705	9,929
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
End of the Period	**60,295**	**51,863**

p. Information on investment property

There is no investment property as of 31 December 2019 (31 December 2018: None).

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

r. Explanations about deferred tax provision

As of 31 December 2019, the Group has deferred tax asset amounting to TL 136,304 (31 December 2018: TL 167,287 deferred tax asset) in the financial statements.

As of 31 December 2019 and 31 December 2018, the details of temporary differences and deferred tax assets and liabilities are presented below:

	31 December 2019		31 December 2018	
	Tax Base	Deferred Tax Amount	Tax Base	Deferred Tax Amount
Deferred Tax Asset / (Liability)				
Tangible Assets Base Differences	(24,476)	(5,370)	(14,757)	(3,056)
Provisions	411,939	90,347	46,222	10,209
Valuation of Financial Assets	(4,073)	(896)	595,831	130,822
Commission Deferral	36,054	7,932	28,804	6,337
Investment Allowances	69,034	6,180	54,278	5,169
Financial Losses	120,588	26,530	81,186	17,858
Other	52,640	11,581	(260)	(52)
Net Deferred Tax Assets		**136,304**		**167,287**

	1 January -31 December 2019	1 January -31 December 2018
1 January Net Deferred Tax Asset/(Liability)	167,287	181,415
Deferred Tax (Expense)/Income	(40,563)	(33,790)
Deferred Tax Accounted Under Shareholders' Equity	(1,294)	(13,422)
Deferred tax recognized in other comprehensive income	10,874	33,084
30 September Net Deferred Tax Asset/(Liability)	**136,304**	**167,287**

s. Movement of assets held for resale and discontinued operations

	31 December 2019	31 December 2018
1 January Assets Held For Resale And Discontinued Operations	186,675	152,218
Disposals (-)	(74,144)	(51,160)
Additions	209,204	85,617
Current period depreciation (-)	-	-
Impairment provision addition/ return	-	-
31 December Assets Held For Resale And Discontinued Operations	**321,735**	**186,675**

t. Information on other assets

1. Other assets in the balance sheet, balance sheet excluding off-balance sheet commitments exceed 10% of the total while at least 20% of their name and the amount of sub-accounts (31 December 2018: None).

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities

a. Information on deposits

1. Information on maturity structure of deposits/the funds collected

(i) 31 December 2019:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months -1 year	1 year and over	Accumulated Deposits	Total
Saving Deposits	**85,315**	-	**1,328,494**	**2,903,921**	**32,598**	**23,563**	**83,659**	-	**4,457,550**
Foreign Currency Deposits	**680,467**	-	**1,118,951**	**5,895,121**	**548,021**	**153,231**	**89,829**	-	**8,485,620**
Residents in Turkey	635,013	-	1,105,092	5,831,957	547,793	137,775	23,369	-	8,280,999
Residents Abroad	45,454	-	13,859	63,164	228	15,456	66,460	-	204,621
Public Sector Deposits	**55,129**	-	-	-	-	-	-	-	**55,129**
Commercial Deposits	**434,558**	-	**761,801**	**1,466,092**	**33,238**	**44,189**	**1,207**	-	**2,741,085**
Other Institutions Deposits	**1,374**	-	**4,357**	**50,085**	-	-	-	-	**55,816**
Precious Metal Deposits	**12,299**	-	**55**	**16,701**	**1,801**	**5,571**	-	**38**	**36,465**
Bank Deposits	**2,579**	-	**17,917**	**126,553**	-	-	-	-	**147,049**
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	154	-	-	-	-	-	-	-	154
Foreign Banks	2,425	-	17,917	126,553	-	-	-	-	146,895
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**1,271,721**	-	**3,231,575**	**10,458,473**	**615,658**	**226,554**	**174,695**	**38**	**15,978,714**

(ii). 31 December 2018:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months -1 year	1 year and over	Accumulated Deposits	Total
Saving Deposits	**47,149**	-	**490,707**	**2,895,635**	**861,692**	**97,504**	**49,990**	**26**	**4,442,703**
Foreign Currency Deposits	**367,427**	-	**464,743**	**5,222,433**	**242,348**	**330,077**	**47,338**	-	**6,674,366**
Residents in Turkey	353,775	-	464,562	5,153,723	242,348	211,195	12,228	-	6,437,831
Residents Abroad	13,652	-	181	68,710	-	118,882	35,110	-	236,535
Public Sector Deposits	**30,031**	-	-	-	-	-	-	-	30,031
Commercial Deposits	**271,721**	-	**516,861**	**1,275,190**	**138,724**	**28,441**	**55**	-	**2,230,992**
Other Institutions Deposits	**1,092**	-	**161**	**66,701**	-	**7,975**	**581**	-	**76,510**
Precious Metal Deposits	**2,356**	-	-	**2,410**	**740**	**1,123**	**4,198**	-	**10,827**
Bank Deposits	**1,979**	-	**56,814**	**92,529**	-	-	-	-	**151,322**
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	1,125	-	-	-	-	-	-	-	1,125
Foreign Banks	854	-	56,814	92,529	-	-	-	-	150,197
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**721,755**	-	**1,529,286**	**9,554,898**	**1,243,504**	**465,120**	**102,162**	**26**	**13,616,751**

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

a. Information on deposits (Continued)

2. Information on saving deposits insurance

(i). Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund

	Under the Guarantee of Deposit Insurance		**Exceeding Limit of the Deposit Insurance**	
Saving Deposits	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Saving Deposits (*)	1,082,231	684,299	3,377,372	3,759,512
Foreign Currency Savings Deposit	334,981	148,141	3,601,587	1,902,933
Other Deposits in the Form of Savings Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-

(*) Related savings deposits include TL 2,053 straight rediscount - internal efficiency difference.

3. Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance

None.

4. Saving deposits which are not under the guarantee of saving deposit insurance fund

	31 December 2019	**31 December 2018**
Deposits and Other Accounts in Foreign Branches	-	-
Deposits and Other Accounts of Main Shareholders and their Families	-	-
Deposits and Other Accounts of President of Board of Directors, Members of Board of Directors, Vice General Managers and Their Families	42,408	38,280
Deposits and Other Accounts of Property Assets Value due to Crime which is in the Scope of Article 282 of Numbered 5237 "TCL" Dated 26/9/2004	-	-
Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations	-	-

b. Table of negative differences for trading derivative financial liabilities

1. Information on derivative financial liabilities

	31 December 2019 (*)		**31 December 2018 (*)**	
	TL	**FC**	**TL**	**FC**
Forward Transactions	2,166	2,107	438	20,031
Swap Transactions	102,521	65,897	100,598	42,141
Futures Transactions	-	-	-	-
Options	-	7,229	92	10,820
Total	**104,687**	**75,233**	**101,128**	**72,992**

(*) Derivative financial liabilities for hedging purpose are excluded.

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

c. Information on borrowings

1. Information on borrowing

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
The CBRT Borrowings	-	939,265	-	-
From Domestic Banks and Institutions	307,543	364,936	64,421	621,932
From Foreign Banks, Institutions and Funds	-	6,177,360	-	4,184,174
Total	**307,543**	**7,481,561**	**64,421**	**4,806,106**

2. Information on maturity profile of borrowings

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Short-term	307,543	2,698,433	64,421	1,132,427
Medium and Long-term	-	4,783,128	-	3,673,679
Total	**307,543**	**7,481,561**	**64,421**	**4,806,106**

3. Disclosures for concentration areas of bank's liabilities

None.

d. Information on other foreign liabilities

Other foreign liabilities amounting to TL 177,264 are included in "Other Liabilities" (31 December 2018: TL 486,819 thousands) and do not exceed 10% of the total balance sheet.

e. Information on financial lease agreements

	31 December 2019	
	Gross	**Net**
Less than 1 year	9,015	3,319
1-4 year	25,334	19,088
More than 4 year	29,492	27,963
Total	**63,841**	**50,370**

f. Information on hedging derivative financial liabilities

Related to information on hedging derivative financial liabilities negative amount is TL 14,119 (31 December 2018: 4,023)

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Fair Value Hedges	-	-	-	-
Cash Flow Hedges (*)	14,119	-	4,023	-
Foreign Currency Investment Hedges	-	-	-	-
Total	**14,119**	-	**4,023**	-

(*) Explained in Section Four Footnote Number XI.

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

g. Information on provisions

1. Provisions for employee benefits

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

In accordance with the revise TAS 19 Standard, Actuarial losses has recognized under the equity, amount of after deferred tax TL 362 (31 December 2018: TL 875 Gain).

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

	31 December 2019	**31 December 2018**
Discount Rate(%)	4.50	4.50
Possible Retirement rate (%)	83.33	83.33

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation.

Movement of provision for employee termination benefits is as follows:

	31 Aralık 2019	**31 Aralık 2018**
Prior Period Ending Balance	**8,705**	**8,550**
Current Period Service Cost	653	1,467
Interest Cost	853	1,024
Paid Compensation	(6,560)	(3,349)
Termination Cost	4,757	2,153
Actuarial Gain/(Loss)	442	(1,094)
Balance at the end of the period	**8,850**	**8,705**

As of 31 December 2019, The Group has provision for employee termination benefits amount of 8,850 TL (31 December 2018: 8,705 TL), provision of unused vacation amount of 3,625 TL (31 December 2017: 3,167 TL).

2. Information on Provisions Related with the Foreign Currency Difference of Foreign Currency Indexed Loans

As of 31 December 2019, there is no provision related to the foreign currency difference of foreign currency indexed loans (31 December 2018: None). When the provision related to the foreign currency difference of foreign currency indexed loans occurs, these amounts are netted with loans in the financial statements.

3. Provisions for non-cash loans that are not indemnified or converted into cash

	31 December 2019	**31 December 2018**
Provisions for Unindemnified Non-cash Loan	51,409	55,828
Free Provision for Possible Risks	20,000	-
Bonus Provision	20,401	19,100
Provision for Litigation and Claims	17,769	15,472
Provision for the Impairment due Settlement Date	1,576	238
Other	1,045	1,494
Total	**112,200**	**92,132**

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

h. Information on tax payable

1. Information on current tax liability

As of 31 December 2019, there is no Corporate Tax Payable amount (31 December 2018: None).

(i) Information on taxes payable

	31 December 2019	31 December 2018
Taxation of Marketable Securities	18,993	13,511
Banking Insurance Transaction Tax (BITT)	12,651	14,716
Value Added Tax Payable	271	199
Property Tax	856	3,226
Corporate Tax Payable	226	-
Other	6,322	4,029
Total	**39,319**	**35,681**

(ii) Information on premium payables

	31 December 2019	31 December 2018
Social Security Premiums - Employee	1,257	1,137
Social Security Premiums - Employer	1,859	1,662
Bank Pension Fund Premiums - Employee	-	-
Bank Pension Fund Premiums - Employer	-	-
Pension Fund Deposit and Provisions - Employee	-	-
Pension Fund Deposit and Provisions - Employer	-	-
Unemployment Insurance - Employee	91	82
Unemployment Insurance - Employer	207	180
Other	134	127
Total	**3,548**	**3,188**

2. Deferred tax liability

As of 31 December 2019, there is no deferred tax liability (31 December 2018: None).

i. Liabilities for assets held for sale and assets of discontinued operations

None (31 December 2018: None).

j. Subordinated debts

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
To be included in the calculation of additional capital borrowing instruments	264,195	-	264,195	-
Subordinated loans (*)	264,195	-	264,195	-
Subordinated debts	-	-	-	-
Debt instruments to be included in contribution capital	-	2,096,143	-	1,863,654
Subordinated loans	-	298,161	-	265,173
Subordinated debts	-	1,797,982	-	1,598,481
Total	**264,195**	**2,096,143**	**264,195**	**1,863,654**

(*) The Bank, has started to follow the subordinated loan which was obtained from its controlling shareholder The Commercial Bank (P.S.Q.C.) amounting to USD 75 million and classified to the equity account in 31 July 2017, as Turkish Liras, in accordance with the "Effects of Foreign Exchange Rate Changes Accounting Policy" and using 31 July 2017 closing US dollar rate. The Bank has restated its subordinated loan amounting to TL 264,195 in the financial statements dated 31 December 2017.

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

k. Information on shareholders' equity

1. Presentation of paid-in capital (As of nominal; non-adjusted amounts according to inflation)

	31 December 2019	31 December 2018
Common Stock (*)	1,730,655	1,167,000
Preferred Stock	-	-

(*) It refers to the nominal capital.

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 (As of nominal; non-adjusted amounts according to inflation):

The Parent Bank applies registered share capital system. The Parent Bank's registered capital is TL 2,500,000,000 (Two billion five hundred million Turkish Liras) and all are divided into 2.500.000.000 shares in the name of the holder with a nominal value of TL 1,00 (one Turkish Lira).

3. Information about the share capital increases and their sources in the current period.

With the decision of number 24 of Board of Directors on 13 March 2019 it was decided to increase the Parent Bank's capital from TL 1,167,000 to TL 1,439,725 and BRSA approval was obtained on 27 March 2019. In the Trade Registry Gazette dated 10 April 2019 numbered 9806, it was registered that the capital increase amounting to TL 272,725 was paid by The Commercial Bank (P.S.Q.C.) and the Parent Bank's capital was increased from TL 1,167,000 to TL 1,439,725.

With the decision of number 57 of Board of Directors on 26 June 2019 it was decided to increase the Bank's capital from TL 1,439,725 to TL 1,730,655 and BRSA approval was obtained on 5 July 2019. In the Trade Registry Gazette dated 8 August 2019 numbered 9886, it was registered that the capital increase amounting to TL 290,930 was paid by The Commercial Bank (P.S.Q.C.) in cash and the Bank's capital was increased from TL 1,439,725 to TL 1,730,655.

4. Information on additions from revaluation reserves to capital in the current period: None.

5. Information on capital increases from capital reserves during the current period: None.

6. Information on prior period's indicators on the Group's income, profitability and liquidity, and possible effects of these future assumptions on the Group's equity due to uncertainties of 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 within several risk limits and legal limits.

7. Information on privileges given to shares representing the capital: None.

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

k. Information on shareholders' equity (Continued)

8. Information on marketable securities valuation reserve

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
From Investments in Associates, Subsidiaries, and Joint Ventures			-	-
Valuation Difference	(38,159)	-	(52,783)	-
Foreign Currency Difference			-	-
Total	**(38,159)**	**-**	**(52,783)**	**-**

9. Information on other capital reserves

The Parent Bank, has started to follow the subordinated loan which was obtained from its controlling shareholder The Commercial Bank (P.S.Q.C.) amounting to USD 75 million and classified to the equity account in 31 July 2017, as Turkish Liras, in accordance with the "Effects of Foreign Exchange Rate Changes Accounting Policy" and using 31 July 2017 closing dollar rate. The deferred tax asset that arising from the foreign exchange differences of the related subordinated debt and recognized under equity is TL 10,874.

i. Information on minority interests

	31 December 2019	31 December 2018
Balance at the Beginning of the Period	**16**	**15**
Current Year Income	1	1
Dividends Paid	-	-
Purchase from Minority Interests	-	-
Other	-	-
Balance at the End of the Period	**17**	**16**

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Notes on Off-Balance Sheet Accounts

a. Information on off balance sheet commitments

1. The amount and type of irrevocable commitments

According to Direct Debiting System, there is TL 104,799 irrevocable loan commitments as of 31 December 2019 (31 December 2018: TL: 115,800).

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, the Parent Bank avalized and acceptance loans, collaterals that are accepted as financial guarantees and other letters of credit

	31 December 2019	**31 December 2018**
Letter of Credits	679,670	737,961
Bank Acceptance Loans	18,379	20,522
Guarantees and Collaterals	-	-
Total	**698,049**	**758,483**

(ii). Guarantees, sureties and other similar guarantees

	31 December 2019	**31 December 2018**
Definite Letter of Guarantees	5,673,300	4,370,090
Advance Letter of Guarantee	266,120	355,152
Temporary Letter of Guarantees	108,472	149,295
Letter of Guarantees Given to Customs	140,756	96,871
Total	**6,188,648**	**4,971,408**

3. Non-cash loans

(i). Total amount of non-cash loans

	31 December 2019	**31 December 2018**
Non-Cash Loans against Cash Risks	3,052,550	2,466,194
With Original Maturity of 1 Year or Less	3,052,550	2,466,194
With Original Maturity of More Than 1 Year	-	-
Other Non-Cash Loans	3,834,147	3,263,697
Total	**6,886,697**	**5,729,891**

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Notes on Off-Balance Sheet Accounts (Continued)

a. Information on off balance sheet commitments(Continued)

(ii). Other information on non-cash loans

	31 December 2019				31 December 2018			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	**39,621**	**1.56**	**24,909**	**0.57**	**4,587**	**0.20**	**11,429**	**0.33**
Farming and Livestock	39,274	1.55	24,909	0.57	4,282	0.19	11,429	0.33
Forestry	301	0.01	-	-	102	0.00	-	0.00
Fishing	46	-	-	-	203	0.01	-	0.00
Manufacturing	**674,727**	**26.57**	**2,678,251**	**61.61**	**388,202**	**16.91**	**2,212,647**	**64.43**
Mining	9,273	0.37	194,923	4.48	7,412	0.32	198,891	5.79
Production	595,559	23.45	2,396,577	55.13	359,487	15.66	1,922,721	55.99
Electric, Gas, Water	69,895	2.75	86,751	2.00	21,303	0.93	91,035	2.65
Construction	**217,147**	**8.55**	**605,621**	**13.93**	**291,096**	**12.68**	**260,366**	**7.58**
Services	**1,597,699**	**62.92**	**1,038,053**	**23.88**	**1,604,704**	**69.89**	**895,022**	**26.06**
Wholesale and Retail Trade	274,361	10.80	263,101	6.05	237,902	10.36	335,155	9.76
Hotel and Food Services	3,662	0.14	32,003	0.74	3,184	0.14	-	0.00
Transportation and Telecommunication	49,594	1.95	164,844	3.79	37,896	1.65	112,894	3.29
Financial Institutions	1,148,253	45.22	457,833	10.53	1,186,647	51.69	326,283	9.50
Real Estate and Leasing Ser.	7,471	0.29	78,323	1.80	22,698	0.99	92,394	2.69
Professional Services	103,085	4.06	34,287	0.79	100,642	4.38	21,761	0.63
Education Services	339	0.01	-	-	364	0.02	-	0.00
Health and Social Services	10,934	0.43	7,662	0.18	15,371	0.67	6,535	0.19
Other	**10,233**	**0.40**	**436**	**0.01**	**7,324**	**0.32**	**54,514**	**1.60**
Total	**2,539,427**	**100.00**	**4,347,270**	**100.00**	**2,295,913**	**100.00**	**3,433,978**	**100.00**

(iii). Non-cash loans classified under Group I and II:

31 December 2019	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans (*)				
Letters of Guarantee	2,405,980	3,429,348	125,656	227,664
Bank Acceptances	-	18,379	-	-
Letters of Credit	7,791	652,277	-	19,602
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	-
Total	**2,413,771**	**4,100,004**	**125,656**	**247,266**

31 December 2018	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans (*)				
Letters of Guarantee	1,275,278	1,777,421	997,791	920,918
Bank Acceptances	-	20,064	-	458
Letters of Credit	22,149	549,509	695	165,608
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	-
Total	**1,297,427**	**2,346,994**	**998,486**	**1,086,984**

(*) The amount of non-cash loans of customers which were classified as non-performing receivables is TL 70,683, check risk amount is TL 13,900 (31 December 2018: TL 63,933, TL 14,257).

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Notes on Off-Balance Sheet Accounts (Continued)

b. Information on derivative financial instruments

	31 December 2019	31 December 2018
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions (I)	**22,513,525**	**21,208,610**
Currency Forward Transactions	969,973	1,074,078
Currency Swap Transactions	18,085,328	17,918,169
Futures Transactions	-	-
Options	3,458,224	2,216,363
Securities Options	-	-
Interest Related Derivative Transactions (II)	**2,562,308**	**745,638**
Forward Rate Agreements	-	-
Interest Rate Swaps	2,562,308	745,638
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions (III)	**1,028,048**	**84,496**
A. Total Trading Derivative Transactions (I+II+III)	**26,103,881**	**22,038,744**
Types of Hedging Transactions		
Fair Value Hedges	-	110,000
Cash Flow Hedges	860,000	600,000
Foreign Currency Investment Hedges	-	-
B. Total Hedging Derivatives	**860,000**	**710,000**
Total Derivative Transactions (A+B)	**26,963,881**	**22,748,744**

c. Credit derivatives and risk exposures on credit derivatives

None (31 December 2018: None).

d. Contingent liabilities and assets

As of 31 December 2019, outstanding legal claims against the group have been considered as contingent liabilities amounting to TL 41,905 and TL 17,769 provision is provided against these legal cases (31 December 2018 Contingent Liability: TL 31,196, Provision: TL 15,472).

e. Services rendered on behalf of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement

a. Information on interest income

1. Information on interest income on loans

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Short-term Loans	1,062,388	86,219	892,325	64,012
Medium/Long-term Loans	612,962	338,473	469,980	416,137
Interest on Loans Under Follow-up	16,902	-	31,195	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total (*)	**1,692,252**	**424,692**	**1,393,500**	**480,149**

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

2. Information on interest income on banks

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
From the CBRT (*)	29,651	23,436	34,087	27,917
From Domestic Banks	24,935	13,481	33,115	11,396
From Foreign Banks	3,605	18,531	1,274	6,209
Headquarters and Branches Abroad	-	-	-	-
Total	**58,191**	**55,448**	**68,476**	**45,522**

(*) Interest incomes from Turkish Lira and Foreign Currency reserves, unrestricted accounts and reserve options which provided by CBRT has shown in "From the CBRT" line.

3. Information on interest income on marketable securities

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
From Financial Assets At Fair Value Through Profit or Loss	2,062	2,538	1,403	3,349
From Financial Assets at Fair Value Through Other Comprehensive Income	8,412	-	718	-
From Financial Assets Measured at Amortised Cost	48,304	143,587	37,196	158,292
Total	**58,778**	**146,125**	**39,317**	**161,641**

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

None (31 December 2018:None).

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

b. Information on interest expense

1. Information on interest expense on borrowings

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Banks	48,066	311,989	9,126	287,452
CBRT	2,597	-	107	-
Domestic Banks	45,469	2,625	9,019	61,781
Foreign Banks	-	309,364	-	225,671
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	84,092	-	51,362
Total (*)	**48,066**	**396,081**	**9,126**	**338,814**

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

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

None (31 December 2018: None).

3. Information on interest expense to marketable securities issued

	31 December 2019	**31 December 2018**
Information on Interest Expense to Marketable Securities Issued	216,229	130,018

4. Information on interest rate and maturity structure of deposits

		Time Deposit						
	Demand Deposit	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**Over 1 Year**	**Accummulated Deposit**	**Total**
Turkish Lira								
Bank Deposits	-	22,124	-	-	-	-	-	**22,124**
Savings Deposits	-	156,552	460,152	49,890	14,244	9,213	1,122	**691,173**
Public Deposits	-	1	4	926	-	-	-	**931**
Commercial Deposits	-	138,647	307,167	29,097	13,877	208	-	**488,996**
Other Deposits	-	507	24,105	107	744	2	-	**25,465**
Deposit with 7 days notification	-	-	-	-	-	-	-	**-**
Total	**-**	**317,831**	**791,428**	**80,020**	**28,865**	**9,423**	**1,122**	**1,228,689**
Foreign Currency	-	-	-	-	-	-	-	
Foreign Currency Account	-	20,706	200,453	10,071	17,381	4,251	-	**252,862**
Bank Deposits	-	696	-	-	-	-	-	**696**
Deposit with 7 days notification	-	-	-	-	-	-	-	**-**
Precious Metal Deposits	-	5	163	5	96	-	-	**269**
Total	**-**	**21,407**	**200,616**	**10,076**	**17,477**	**4,251**	**-**	**253,827**
Grand Total	**-**	**339,238**	**992,044**	**90,096**	**46,342**	**13,674**	**1,122**	**1,482,516**

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

5. Given interest amount on repurchase agreement

None (31 December 2018: None).

6. Informations on leasing expense

	31 December 2019	31 December 2018
Leasing Expense	9,377	-

7. Information on given interest for factoring transaction

None (31 December 2018: None).

c. Information on dividend income

The Group has dividend income amounting to TL 2,804 as of 31 December 2019 (31 December 2018: 90).

d. Information on trading income/loss (Net)

	31 December 2019	31 December 2018
Income	**31,730,086**	**40,824,131**
Income from Capital Market Transactions	10,726	890
Derivative Financial Transactions	924,997	1,639,420
Foreign Exchange Gains	30,794,363	39,183,821
Loss (-)	**31,526,097**	**40,667,700**
Loss from Capital Market Transactions	5,292	6,142
Derivative Financial Transactions	726,818	1,214,982
Foreign Exchange Loss	30,793,987	39,446,576
Net Income/(Loss)	**203,989**	**156,431**

e. Explanations about other operating income

	31 December 2019	31 December 2018
Cancellation of Provisions for Disposal Property	336	8,656
Provision for the Expenses Recovered from Customers	2,711	1,859
Provision for Communication Costs Received from Customers	1,581	1,488
Gain on Sale of Property, Plant and Equipment	5,977	38
Other	8,844	11,314
Total	**19,449**	**23,355**

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

f. Expected Provision Losses and Other Provision Losses

	31 December 2019	31 December 2018
Expected Credit Loss	330,513	166,856
12 month expected credit loss (stage 1)	(21,229)	31,720
Significant increase in credit risk (stage 2)	(191,948)	(90,660)
Non-performinf loans (stage 3)	543,690	225,796
Marketable Securities Impairment Expense	11,557	44,335
Financial Assets at Fair Value Through Profit or Loss	-	10,471
Financial Assets at Fair Value Through Other Comprehensive Income	11,557	33,864
Investments in Associates, Subsidiaries and Joint Ventures Value Decrease	-	0
Investments in Associates	-	0
Subsidiaries	-	0
Joint Ventures	-	0
Other (*)	21,782	5,418
Total	**363,852**	**216,609**

(*) Free provision for possible risks amounting to TL 20,000 is included.

g. Information related to personnel expenses and other operating expenses

	31 December 2019	31 December 2018
Personnel Expenses	206,746	191,053
Reserve For Employee Termination Benefits	591	1,406
Unused Vacation	314	499
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	38,117	12,931
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Depreciation Expenses of Intangible Assets	13,706	9,929
Impairment Expenses of Equity Participations Accounted for under Equity Method	-	-
Impairment Expenses of Assets Held For Sale	-	-
Depreciation Expenses of Assets Held for Sale	-	-
Impairment Expenses of Tangible Assets Held for Sale	-	-
Other Operating Expenses	109,705	114,780
Operational Lease Expenses	1,041	34,533
Maintenance Expenses	2,972	1,748
Advertising Expenses	8,677	9,324
Other Expenses	97,015	69,175
Loss on Sales of Assets	4,278	7,560
Other (*)	36,886	23,623
Total	**410,343**	**361,781**

(*) Other operating charges is TL 18,574 (31 December 2018: TL 4,558) except premium of SDIF and tax amounting to TL 8,298 (31 December 2018: TL 12,362).

h. Explanations on profit and loss from continuing operations before tax

31 Aralık 2019 tarihi itibarıyla Grup'un cari vergi karşılığı bulunmamaktadır (31 Aralık 2018: Bulunmamaktadır.). 40,563 TL tutarında ertelenmiş vergi gideri bulunmaktadır (31 Aralık 2018: 33,790 TL ertelenmiş vergi gideri).

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

i. Provision for taxes on income from continuing operations

As of 31 December 2019, the Group has no current tax expense (31 December 2018: None) and deferred tax expense is TL 40,563 (31 December 2018: TL 33,790 deferred tax expense).

j. Net operating profit/loss after taxes including net profit/loss from discontinued operations

Group's net operating profit is TL 178,058 (31 December 2018: TL 204,898).

g. Information on net income/loss for the period

1) Interest income from ordinary banking transactions is TL 2,846,103 (31 December 2018: TL 2,443,403), interest expense is TL 2,179,638 (31 December 2018: TL 1,863,658).

2) Information on any change in the accounting estimates has no profit/loss effect on current period or consequent periods.

l. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:

Fees and Commissions Received - Other	**31 December 2019**	**31 December 2018**
Credit Card Pos Commissions	44,506	10,546
Banking Service Income	18,947	3,399
Insurance Commissions	8,715	4,284
Credit Early Termination Compensation	8,678	1,271
Account Management Fee Commission	2,900	1,386
Transfer Commissions	1,563	1,337
Brokerage Commissions	1,747	598
Expertise Commissions	995	1,510
Export Letters of Credit Commissions	690	921
Fees and Commissions from Leasing Transactions	-	592
Transaction Commissions from Correspondent Account	-	343
Other	8,230	2,686
Total	**96,971**	**28,873**
Fees and Commissions Paid - Other	**31 December 2019**	**31 December 2018**
Debit Card Fees and Commissions	23,634	6,528
Clearing Commissions	21,133	3,216
Fees and Commissions on Foreign Currency Transactions	5,878	6,151
Commissions Granted to Correspondent Banks	3,073	1,624
Transfer Commissions	1,048	694
Pos Transaction Commissions Paid	870	652
Commissions for Effective and Future Transactions	988	752
CBRT Interbank Money Market	405	686
Other	5,061	2,236
Total	**62,090**	**22,539**

	31 December 2019	**31 December 2018**
Minority Shares Profit or (Loss)	1	1

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations and Notes on Changes in Shareholders’ Equity

a. Information on profit distribution:

In the Ordinary General Assembly Meeting of the Parent Bank held on 28 March 2019 regarding the 2018 Activity Year; Operating Profit Before Tax is TL 264,167 and after deducting the corporate tax of TL 34,004 TL 11,508 of the remaining balance was transferred to the legal reserves and the ending balance TL 218,654 was not subject to profit distribution but transferred to the the Extraordinary Reserve with the decision of the General Assembly.

b. Information on available for sale financial assets:

“Unrealised gain/loss” arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year profit and loss statement but recognized in the “Marketable securities value increase fund” account under equity, until the financial assets are derecognised, sold, disposed or impaired.

c. Information on increase/decrease amounts result from the merger:

None.

d. Information on share issue premium:

Explained in details in note XVIII. of Section Three.

VI. Explanations and Notes on Statement of Cash Flows

a. Information on cash and cash equivalent assets:

1. Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency 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”.

2. Effect of a change on the accounting policies: None.

3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

3.(i). Cash and cash equivalents at the beginning of period:

	31 December 2019	31 December 2018
Cash	**98,124**	**94,963**
Cash Equivalents	**2,766,606**	**1,307,542**
CBRT	1,331,460	676,768
Banks and Other Financial Institutions	805,146	280,774
Money Markets	630,000	350,000
Total Cash and Cash Equivalents	**2,864,730**	**1,402,505**

The total amount from the operations occurring in the prior period is the total cash and cash equivalents amount at the beginning of the current period.

3.(ii). Cash and cash equivalents at the end of the period:

	31 December 2019	31 December 2018
Cash	**149,382**	**98,124**
Cash Equivalents	**4,340,339**	**2,766,606**
CBRT	1,289,721	1,331,460
Deposits in Banks and other financial institutions	1,138,614	805,146
Money Markets	1,912,004	630,000
Total Cash and Cash Equivalents	**4,489,721**	**2,864,730**

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations and Notes on Statement of Cash Flows (Continued)

b. Information on cash and cash equivalents that are not in use due to legal limitations and other reasons:

TL 1,244,698 of unfixed principal amount in the account of Central Bank of Turkey is required reserve established in FX and gold, for the TRY, FX and gold liabilities of the Group (31 December 2018: TL 755,100).

c The effects of the change in foreign exchange rates on cash and cash equivalents:

Increase in "Other Account" amounting to TL 507,453 (31 December 2018: TL 92,412 decrease) which is classified under "Operating profit before changes in operating assets and liabilities" basically includes Fee and Commissions, Other Operating Expenses excluding Personnel Expenses, Foreign Exchange Gains/Losses as well as Provision and Depreciation that do not create cash in/outflow.

Decrease in "Net increase/decrease in other liabilities amounting to TL 140,952 (31 December 2018: TL 75,073 increase) which is classified under "Operating profit before changes in operating assets and liabilities" includes changes in Miscellaneous Payables, Other Liabilities, Taxes Payable, Charges, Duties and Premiums.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated approximately TL 387,240 as of 31 December 2019 (31 December 2017: TL 670,738).

VII. Explanations and Notes on the Parent Bank'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. 31 December 2019

	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	
Group's Risk Group (*) (**)	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-cash**
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	164,542	151,800	5,483
Balance at the End of the Period	-	-	-	15,888	437,597	10,000
Interest and Commission Income Received	-	-	2,056	59	4,570	81

(*) Defined in the 49th article of paragraph 2 of the Banking Act No. 5411.
(**) The information in table above includes banks as well as loans and receivables.

2. 31 December 2018

	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	
Group's Risk Group (*)(**)	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-cash**
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	249,646	113,277	2,870
Balance at the End of the Period	-	-	-	164,542	151,800	5,483
Interest and Commission Income Received (***)	-	-	298	24,682	5,933	45

(*) As described in the Article 49 of Banking Law No 5411.
(**) The information in table above includes banks as well as loans and receivables.

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations and Notes on the Parent Bank's Risk Group (Continued)

a. The volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period (Continued)

3. Information on deposits of the Group's risk group

Group's Risk Group (*)	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	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Beginning of the Period (**)	-	-	-	-	37,278	74,207
End of the Period (**)	-	-	-	-	45,291	37,278
Interest Expense on Deposits	-	-	49	-	2,819	931

(*) As described in the Article 49 of Banking Law No 5411.
(**) The information in table above includes banks as well as loans and receivables.

4. Information on forward and option agreements and other derivative instruments with the Parent Bank's risk group

Group's Risk Group (*)	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	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Transactions for Trading Purposes						
Beginning of the Period (**)	-	-	-	-	-	-
End of the Period (**)	-	-	-	-	-	-
Total Profit/Loss (***)	-	-	**(2)**	**24,211**	-	-
Transactions for Hedging Purposes	-	-	-	-	-	-
Beginning of the Period (**)	-	-	-	-	-	-
End of the Period (**)	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

(*) As described in the Article 49 of Banking Law No 5411.
(**) The balances at the beginning and end of the periods are disclosed as the total of purchase and sell amounts of derivative financial instruments.

b. With respect to the Parent Bank's risk group

1. The relations with entities that are included in the Group's risk group and controlled by the Parent Bank irrespective of the relationship between the parties:

The Parent Bank performs various transactions with group companies 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 (%)**
Deposit	66,167	0.41
Non-cash Loans	25,888	0.38
Loans	437,597	2.46
Subordinated Loans	562,356	23.83

These transactions are priced according to the Bank's pricing policy and they are in line with the market prices.

3. Equity accounted transactions:

None.

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations and Notes on the Parent Bank's Risk Group (Continued)

b. With respect to the Parent Bank's risk group (Continued)

4. 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:

As of 31 December 2019, there is no financial leasing agreement between the Parent Bank and Alternatif Finansal Kiralama A.Ş. The Parent Bank also has cost sharing agreements with Alternatif Finansal Kiralama A.Ş. and Alternatif Yatırım Menkul Değerler A.Ş.

The bank allocate cash and non-cash loans to risk group of the Bank in limit of Bank Law and that amount is 1.88% of total cash and non-cash loan amount (31 December 2018: 2.68%).

5. Information on Other Liabilities

None. (31 December 2018: TL 264,050).

c. Information regarding benefits provided to the Group's key management

Benefits provided to the Group's key management amount to TL 26,568 as of 31 December 2019 (31 December 2018: TL 29,243).

VIII. Explanations on the domestic, foreign and off-shore branches or affiliates and foreign representative offices of the Parent Bank

a. Information on domestic, foreign branches and foreign representatives:

	Number	**Number of Employees**			
Domestic Branch	48	952			
			Country of Incorporation		
Foreign Representative	-	-	-		
				Total Asset	**Statutory share capital**
Foreign Branch	-	-	-	-	-
Off-Shore Banking Region Branch	-	-	-	-	-

b. Explanations on opening, closing of a branch or agency of the Bank or changing its organizational structure significantly

The Parent Bank open a new branch, and 2 units of branches were closed in 2019.

IX. Explanations and Notes on Subsequent Events

None.

SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. Other Explanations Related To The Parent Bank's Operations

Summaries about the Parent Bank's rates from international credit rating agencies

Fitch Ratings: December 2019	
Foreign Currency	
Long Term	B+
Short Term	B
Local Currency	
Long Term	BB
Short Term	B
National Note	AA(tur)
Support Note	3
Financial Capacity Note	b-
Outlook	Negatif

Moody's: June 2019	
Foreign Currency	
Long Term	B3
Short Term	NP
Local Currency	
Long Term	B1
Short Term	NP
National Long Term	Aa1.tr
National Short Term	TR-1
Outlook	Negative

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

I. Explanations on Independent Auditors' Report

Group's consolidated financial statements and footnotes to be disclosed to public as of 31 December 2019 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited) and the independent auditors' report dated 31 January 2020 has been presented at the beginning of this report.

II. Explanations and Footnotes Prepared by Independent Auditor

None.